HARASSMENT OF PANAMA CANAL EMPLOYEES

HEARING

BEFORE THE

SUBCOMMITTEE ON
PANAMA CANAL/OUTER CONTINENTAL SHELF

OF THE

COMMITTEE ON
MERCHANT MARINE AND FISHERIES
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

THE SITUATION IN PANAMA RELATING TO THE HARASSMENT AND SAFETY OF PANAMA CANAL COMMISSION EMPLOYEES, THE SECURITY OF THE CANAL, AND THE ABILITY TO OPERATE THE CANAL IN AN EFFICIENT MANNER

May 18, 1989

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HARASSMENT OF PANAMA CANAL EMPLOYEES

THURSDAY, MAY 18, 1989

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON THE PANAMA CANAL/OUTER CONTINENTAL SHELF, COMMITTEE ON MERCHANT MARINE AND FISHERIES,

Washington, DC.

The Subcommittee met, pursuant to notice, at 1:10 p.m., in Room 1334, Longworth House Office Building, Hon. Roy Dyson, Chairman of the Subcommittee, presiding.

Members present: Representatives Dyson, Laughlin, Fields, Bentley, and Goss.

Staff present: Charles Ulrich and Lola Wesson.

OPENING STATEMENT OF HON. ROY DYSON, A U.S. REPRESENTATIVE FROM MARYLAND, AND CHAIRMAN, SUBCOMMITTEE ON PANAMA CANAL/OUTER CONTINENTAL SHELF

Mr. DYSON. We would like to get started, so if all of those standing will take a seat, this Subcommittee will come to order.

There are several witnesses with us today, and the Subcommittee wants to provide ample time for questions and discussions.

Because there are so many witnesses, we will be adhering to the 5 minute rule for the testimony and the questions.

This will be the first opportunity for a congressional Subcommittee to review the post-election situation in Panama, and there are several lines of questioning we will pick up today.

For the witness' benefit, I want to state at the outset, the Subcommittee has exclusive jurisdiction over the operations of the Panama Canal, and very limited jurisdiction over this country's foreign relations.

I can confidently speak for this Subcommittee when I say that each of us look forward to the day when Noriega has finally relinquished his hold over Panama.

Noriega threatens the security and the interests of this country, just as he does the aspirations of the Democratic people of Panama.

Our problem is simple, Noriega must go. But the solution, coordinating U.S. policies with actions by the international community and with the Panamanian opposition, is full of complications.

Today's hearing will explore some of these complications. We have three basic concerns. The Subcommittee wants to ensure that the employees of the Panama Canal Commission are safe and secure against harassment, intimidation, and abuse.

We want to ensure that the Canal is secure against any acts of aggression.

Finally, we want to ensure that the crisis in Panama does not hinder the Panama Canal Commission's ability to operate the waterway.

Dictators do not peacefully accept early retirement, as a Washington Post columnist recently put it, at hands of the Democratic opposition.

We must assume that Noriega will do everything in his power to stay in power. One tactic he has constantly pursued is the effort to portray this country the enemy of Panamanian people.

If he can provoke the United States into a diplomatic or military blunder, he believes the Panamanian people will rally to his cause.

So as this Subcommittee attempts to assess the threats posed by the Noriega regime to the Canal and its workers, we should be wary of any recommendations that could inadvertently strengthen Noriega's control over Panama.

That said, let me state that I do not believe it is in Noriega's interests to provoke the U.S. by launching a military attack on the Canal.

This does not mean the Canal is, from Noriega's prospective, "off limits." He has a much more vulnerable and sensitive target at his disposal in the Canal's work force.

So the most immediate danger to protect against is the possibility that Noriega will seek to disrupt the Canal by harassing, intimidating, and abusing its work force.

This is one of Noriega's tactics. Its immediate effect, of course, has been to instill fear and insecurity among the work force, and to depress employee morale.

There are other effects as well. Beginning last March, the Canal Commission has been forced to provide emergency round-the-clock transportation service to Canal employees. The costs of these services is averaging about $540,000 a month.

Members of the Subcommittee know the Canal receives no appropriations from the Congress. It is funded through its toll revenues only.

There is very little money in the Commission's budget that has not already been committed to Canal operations, repairs, and improvements.

Emergency transportation services the Canal is providing were not contemplated when the Canal's budget was prepared. Depending on how long these services are required, their cost could begin to weigh heavily on the Canal Commission.

This would leave the Canal Commission with three choices: It could appeal to the Congress for an emergency appropriation. It could begin to initiate yet another toll increase. Alternatively, it could neglect needed repairs and begin curtailing Canal services.

It is the job of this Subcommittee to see that none of these options becomes necessary.

The Canal Commission has been forced to provide these services because the Noriega regime has chosen to hold all Panamanian employees of the Canal and other U.S. entities liable for non-payment of Panamanian taxes.

The funds in dispute are the withholding taxes the Commission deducts from the earnings of the Panamanian workers.

Under the Panama Canal Treaty, the Commission is required to withhold taxes. This is what the Panamanian people requested in the Treaty and this is what we will do.

Since the imposition of U.S. economic sanctions in April of 1988, the Commission has deposited its withholding taxes, along with other payments mandated by the Treaty, into escrow accounts maintained by the Federal Reserve Bank of New York.

But Noriega insists that the individual employees are liable for the Commission's non-payment of taxes. Armed with this legal pretext, he has impounded cars and frozen bank accounts. He has threatened to place liens on homes. At any time he can haul 85 percent of the Canal's work force into tax court, and everybody knows it.

The Commission is having to deal with combined effects of several conditions, each of which imposes its own cost. There is Noriega's abuse of U.S. citizen employees, the ever present threat of further tax action against Panamanian employees, de facto prohibition against their use of private transportation, and the routine harassment of P.C.C. employees transiting the Isthmus.

It is a logistical nightmare and a personal outrage for everyone involved.

It seems to me that we ought to ensure that our policies do not contradict our own interests. And that they do not give Noriega a club, if you will, to use against U.S. citizens or employees.

The Sanctions Policy was devised as shock treatment. It was effective at cutting off much of the regimes access to cold, hard cash. The regime adjusted and made accommodations.

We are now facing the equivalent of a diplomatic stand off. Noriega may last a month, 6 months or a year. But one thing is certain, our policy that he must go will not change.

The Subcommittee will receive its opening testimony this afternoon from the Panama Canal Commission. They will give us some of the history of their efforts to blunt the Noriega regime's interference with the Canal's work force.

We will then hear from several Canal workers, each of whom represent the skilled trade employed by the Canal. These employees have traveled far, I would say at some risk to themselves, in order to tell their story and give this Subcommittee first-hand understanding of the difficulties they face in performance with their job.

The Subcommittee with then take testimony from the Department of Defense. In addition to Major General Fischer, we will be receiving testimony from Richard Brown, Deputy Assistant Secretary of Defense for Inter-American Affairs, who will be available to discuss contingency planning to ensure the safety of the Canal employees.

I am especially interested in hearing whether the Department of Defense intends to provide whatever protection is necessary to ensure the safety of all Canal employees including those who are Panamanian nationals.

Finally, the Subcommittee will receive testimony from Mr. Mike Kozak, Acting Assistant Secretary of State for Inter-American Affairs.

Mike has had a busy couple of weeks and we appreciate his being here to discuss the administration's views on what can and should be done to stabilize the situation in Panama with respect to the Canal.

[The statement of Mr. Dyson follows:]

PREPARED STATEMENT OF HON. ROY DYSON, CHAIRMAN, SUBCOMMITTEE ON PANAMA CANAL/OUTER CONTINENTAL SHELF

I will call the Subcommittee to order now. There are several witnesses with us today, and the Subcommittee wants to provide ample time for questions and discussion. But because there are so many witnesses, we will be adhering to the five-minute rule for testimony and questions, and I will ask Members to keep their opening remarks brief.

This will be the first opportunity for a Congressional Subcommittee to review the situation in Panama, and there are several lines of questioning we will take up today. But for the witness's benefit, I want to state at the outset that this Subcommittee has exclusive jurisdiction over the operations of the Panama Canal, and very limited jurisdiction over the country's foreign relations.

I can confidently speak for this Subcommittee when I say that each of us look forward to the day when Noriega has finally relinquished his hold over Panama. Noriega threatens the security and interests of this country just as he does the aspirations of the democratic people of Panama. Our problem is simple: Noriega must go. But the solution—coordinating U.S. policies with actions by the international community and with the Panamanian opposition—is full of complications.

Today's hearing will explore some of these complications. We have three basic concerns. This Subcommittee wants to ensure that the employees of the Panama Canal Commission are safe and secure against harassment, intimidation, and abuse. We want to ensure that the Canal is secure against any acts of direct aggression. And we need to ensure that the crisis in Panama does not hinder the Canal Commission's ability to operate the waterway.

We begin with the basic premise that brutish dictators do not peacefully accept early retirement, as a Washington Post columnist recently put it, at the hands of a democratic opposition. We must assume that Noriega will do everything in his power to stay in power. One tactic he has constantly pursued is the effort to portray this country as the enemy of the Panamanian people. If he can provoke the United States into a diplomatic or military blunder, he believes the Panamanian people will rally to his cause.

So as the Subcommittee attempts to assess the threats posed by the Noriega/Solis Regime to the Canal and its workers, we should be wary of any recommendations that could inadvertently strengthen Noriega's control over Panama.

That said, let me state that I do not believe it is in Noriega's interest to provoke the U.S. by launching a military attack on the Canal. But this does not mean that the Canal is, from Noriega's perspective, "Off Limits". He has a much more vulnerable and sensitive target at his disposal in the Canal's work force. So the most immediate danger to protect against is the possibility that Noriega will seek to disrupt the Canal by harassing, intimidating, and abusing its work force.

He has a lot of experience at this sort of thing. If you're in absolute control of the government, it isn't difficult to find a reason to stop a car, search a house, or detain someone for questioning. It doesn't take much to have someone beaten and then claim they were "resisting arrest", or simply say nothing at all. This is what dictators do. It's their chosen line of work.

This is one of Noriega's tactics. Its immediate effect, of course, has been to instill fear and insecurity among the work force, and to depress employee morale. We will hear a lot about this from the members of the Canal work force that have taken the time and trouble to appear before us today, despite the possibility that this appearance may increase the harassment to which they have been subjected.

There are other effects as well. Beginning last March, the Canal Commission has been forced to provide emergency, 'round-the-clock transportation services to Canal employees. The costs of these services is averaging $540,000 a month.

As Members of the Subcommittee know, the Canal receives no appropriations from Congress. It is funded through toll revenues only. For the past two years the Canal has operated at a small loss, which the Canal will recover this year by initiating a 9 percent increase in tolls.

There is very little money in the Commission's budget that hasn't already been committed to Canal operations, repair and improvements. The emergency transpor-

tation services the Canal is providing were not contemplated when the Canal's budget was prepared. Depending on how long these services are required, their costs could begin to weigh heavily on the Canal Commission. This would leave the Canal Commission with three choices:

It could appeal to the Congress for an emergency appropriation.

It could begin to initiate yet another toll increase.

Or it could neglect needed repairs and begin curtailing Canal services.

It is the job of this Subcommittee to see that none of these options become necessary.

The Canal Commission has been forced to provide these services because the Noriega/Solis Regime has chosen to hold all Panamanian employees of the Canal, and of the U.S. entities, liable for non-payment of the Panamanian taxes. This is a ruse, of course, and Noriega knows fully well that the individual Panamanians have paid their taxes.

The funds in dispute are the withholding taxes that the Commission deducts from the earnings of its Panamanian workers. Under the Panama Canal Treaty, the Commission is required to withhold taxes. This is what the Panamanian people requested in the treaties and this is what we do.

Since the imposition of U.S. economic sanctions in April of 1988, the Commission has deposited its withholding taxes, along with all other payments mandated by the treaty, into the escrow accounts being maintained by the Federal Reserve Bank on New York.

But Noriega insists that the individual employees are liable, for the Commission's non-payment of taxes. Armed with this legal pretext. He has impounded cars and frozen bank accounts. He has threatened to place liens on homes. He has been selective, going after only a few conspicuous employees, like Deputy Administrator Manfredo. But at any time he chooses, he can haul 85% of the Canal's work force into court, and everybody knows it.

This reality is distressing enough, and it doesn't help the Canal's morale problem at all. But there are other ramifications than simply exposing the Commission's Panamanian work force to persecution by the Noriega/Solis Regime's tax authorities.

Last year, for the first time, anyone wishing to register a car or apply for a license plate had to prove they do not owe taxes to Panama. Imagine that. This means that if the Panamanian employees aren't getting hauled into tax court they will be walking to work, because none of them can legally drive their own cars to the job.

The result is that the Commission is having to deal with the combined effects of several conditions, each of which imposes its own cost. There is—

Noriega's abuse of U.S.-citizen employees;

The ever-present threat of further tax action against Panamanian employees;

The de facto prohibition against their use of private transportation;

And the routine harassment of P.C.C. employees transiting the isthmus.

It's a logical nightmare, a personal outrage for everyone involved, and as I have pointed out, these circumstances impose a significant drain on the Canal Commission's budget.

If we are to continue exerting effective pressure on Noriega, however, it seems to me that we ought to ensure that our policies do not contradict our own interests. And that they do not give to Noriega a club which he can wield against U.S. interests, citizens or employees.

The sanctions policy was devised as "shock treatment." It was effective at cutting off much of the Regime's access to cold, hard cash. But the Regime adjusted and made accommodations.

We are now facing the equivalent of a "diplomatic standoff". Noriega may last a month, six-months or a year. But one thing is certain, our policy that he must go won't change. Insofar as that is the case, our policies must be designed to last indefinitely. That means there may need to be changes in our approach, at least with regard to ensuring the safety of all Panama Canal employees, their dependents and the Canal itself.

The Subcommittee will receive its opening testimony from the Panama Canal Commission. They will give us some of the history of their efforts to blunt the Noriega/Solis Regime's interference with the Canal's work force. We will then hear from several Canal workers, each of whom represents a skilled trade employed by the Canal. These employees have traveled far, and at some risk to themselves, in order to tell their stories, and give the Subcommittee a first hand understanding of the difficulties they face in the performance of their jobs.

The Subcommittee will then take testimony from the Department of Defense. In addition to Major General Fischer, we will be receiving testimony from Richard Brown, Deputy Assistant Secretary of Defense for Inter-American Affairs, who will be available to discuss contingency planning to ensure the safety of Canal employees. I am especially interested in learning whether the Department of Defense intends to provide whatever protection is necessary to ensure the safety of all Canal employees, including those who are Panamanian nationals.

Finally, the Subcommittee will receive testimony from Mr. Mike Kozak, the Acting Assistant Secretary of State for Inter-American Affairs. Mike has had a busy couple of weeks, and we appreciate his being here to discuss the Administration's views on what can and should be done to stabilize the situation in Panama with respect to the Canal.

I welcome you all here today, and before proceeding directly with the witnesses, we will take opening statements from Members.

Mr. DYSON. I welcome all of you here today. Before proceeding directly with the witnesses, I would like to ask the Ranking Minority Member, Mr. Fields, if he would—Congressman Fields, if you would have an opening statement?

Mr. FIELDS. Mr. Chairman, I do. I also have a statement from Congressman Bob Davis of Michigan and also one from Helen Bentley of Maryland that I would like to submit for the record.

Mr. DYSON. Without objection.

[The statement of Mr. Davis and Mrs. Bentley follows:]

PREPARED STATEMENT OF HON. ROBERT W. DAVIS, A U.S. REPRESENTATIVE FROM MICHIGAN

Mr. Chairman, the issue of the continued harassment of both American and Panamanian employees of the Panama Canal Commission is one that cannot be ignored. The Panama Canal Commission is an American agency and its workers are Federal employees.

The events of this month show that without a doubt, General Noriega is not the legitimate leader of the Republic of Panama and that he should not be allowed to remain in power. The Panamanian people saw their opportunity for democracy and took to the polls.

Mr. Chairman, we watched the election process in Panama with great hopes for the future of Panama and the renewal of friendly relations with Panama. We also watched as General Noriega's "Dignity Battalions" viciously attacked unarmed civilians following demonstrations to denounce the obvious election fraud. We all were shocked at the brutality shown to us as Vice Presidential candidate Guillermo Ford was beaten senseless while members of the PDF stood by and watched the violence.

Other countries in this hemisphere have now joined the U.S. in condemning the election fraud, condemning the violence of Noriega's troops, and condemning Noriega himself. It is now clear that the United States is not alone in seeing the repression and tyranny of the Noriega regime.

And while all of the violence and unrest continues, we still have more than one thousand Americans working for the Panama Canal Commission who must endure the daily roadblocks and military harassment just to get to their jobs.

The Canal remains open and will continue to operate through all of the chaos in Panama. President Bush has sent additional troops to Panama, not to intervene in their internal struggles, but to protect American life and property including the Panama Canal.

While it is clear that Noriega must go before reason can reign again in Panama, the U.S. must be careful that in its quest of ridding Panama of General Noriega, that we do not interfere with the sovereignty of Panama.

Panama, its people, and world opinion are now focused against Noriega. We must not do anything which Noriega can use to turn some or all of the Panamanian people against the U.S.

Mr. Chairman, the United States remains the operator of the Panama Canal until the year 2000. It is the responsibility of the United States government to keep this vital passageway open and in good repair and we must ensure that it remains unaffected by Noriega or the political events in Panama.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF HON. HELEN DELICH BENTLEY, A U.S. REPRESENTATIVE FROM MARYLAND

Thank you, Mr. Chairman, and thank you, Mr. Fields.

I want to commend both of you gentlemen for calling this hearing today on an issue that is of grave concern to me and one that has serious national security ramifications.

The United States government has been attempting to deal with the illegal government of Panamanian General Manuel Noriega, with only the minimal result of only aggravating the military dictator by withholding payment to Panama of more than $105 million in collected toll revenues.

Without question, this entire situation has been a major embarrassment to the United States. I am not here to tell the government "I told you so," but anyone with any degree of foresight could have foreseen the predicament in which we find ourselves today.

This is what you get when we try to deal responsively with military dictators or government leaders whose sole purpose is to build their own power base through pilfering their government's treasury and/or being a profiteer in the illegal movement of drugs into the United States.

We are here today to principally discuss the harassment and intimidation of the Panama Canal Commission personnel. Mr. Chairman, I want the record to reflect that I am equally concerned about the impact this unwarranted campaign is having on the Commission's Panamanian employees, as well as its own citizens.

It has been brought to my attention that prior to the recent initiatives announced by the Administration following the annulment of the May 7th election, Commission employees and their families, unlike their counterparts employed by the State and Defense Department, have had to endure the personal trauma of being victimized by the Panamanian Defense Force, because of the Commission's refusal to permit an unrestricted evacuation.

Efforts by Canal employees to relocate their families are still being stymied by the Commission's offer of only a $16.50 per diem, a reduction of $50 from the original allowance offered in November, 1988.

Mr. Speaker, a per diem of $66 is the lowest allowance level allowed employees in the Federal Travel Directory. The Commission's allowance of a $16.50 per diem is an insult to the Canal employees, who have devoted their careers to the safe and efficient operations of a waterway that is essential to the commerce and defense of this country.

This subcommittee has been supplied with a long list of specific incidents involving harassment and intimidation of Commission employees.

Mr. Chairman, I find the Commission's actions in this regard inexcusable. When the safety of Canal employees are placed in jeopardy, so, too, is the operation of the Canal itself.

Each and every one of those incidents could have been avoided if the Commission or, more specifically, if this government had taken a more appropriate action in their dealings with General Noriega.

Mr. Chairman, while we have various union leaders representing Commission employees, only the victims themselves, the American and Panamanian employees, can articulate to this subcommittee what they have been forced to endure at the hands of General Noriega goons.

Accordingly, I believe it would be prudent for this subcommittee to hold a field hearing in Panama as soon as possible, to give those employees an opportunity to share with us first hand, and in more detail, those personal experiences.

Mr. Chairman, I won't take up anymore of this subcommittee's valuable time by continuing my diatribe against General Noriega or by restating what I believe what should have been a more appropriate course of action this government should have taken in their dealings with General Noriega.

Again, I want to commend the leadership of this subcommittee for their leadership in trying to come to grip with one of the more serious problems, which is threatening the national security of the United states.

Thank you, Mr. Chairman.

STATEMENT OF HON. JACK FIELDS, A U.S. REPRESENTATIVE FROM TEXAS

Mr. FIELDS. Mr. Chairman, I want to complement you on scheduling this hearing. It is very timely, and certainly it is important to

hear about the political crisis in Panama and the impact on the Canal.

Just 11 days ago, the people of Panama went to the polls to exercise their constitutional right to vote. In so doing, they risked their lives in the hope that through that action, democracy could be reborn in their beloved country.

By all estimates, they overwhelmingly rejected the tyranny of General Noriega and chose instead, Mr. Guillermo Endara, a man of peace, as their next president.

Regrettably, the will of the Panamanian people has been thwarted by General Noriega and his henchmen. But General Noriega has stolen more than the election. He has stolen hope for the future from his three million fellow Panamanian citizens.

Mr. Chairman, democracy and the rule of law cannot exist in Panama as long as this despot, this international drug dealer, this international criminal, and international thug, remains in power.

The Panamanian people must rise up and remove General Noriega, regardless of the cost. The United States can play a very constructive role in the process.

But the Panamanian people themselves, first and foremost, must be responsible for riding their country of the Noriega cancer which threatens democracy throughout Central America.

This past Sunday, in churches throughout Panama, a communique was written by the Panama Episcopal Conference and it was read to the Panamanian people.

And I would like to quote just a few passages from that communique and I quote: "We congratulate our people for the patriotism they showed on Sunday, May 7th, when they massively and peacefully went to the polls. Such people deserve to live in freedom and have respect shown for the political will they so clearly expressed."

I go on to quote: "We and the entire world watched with consternation how the Presidential Candidates of the Civilest Opposition Alliance were violently cornered, savagely beaten, and cowardly abused."

And then I go on to quote: "We ask our military brethren, who have the force of arms, not to use them against a defenseless people whose sole weapon is its firm desire of living in dignity and peace."

Mr. Chairman, all freedom loving people of the world support the sentiments expressed in that communique.

In response to the growing political crisis in Panama, and the brutal and cowardly attack on opposition candidates, President Bush has implemented a series of actions on Panama.

And I wholeheartedly support the President in this effort and feel his response has been reasonable, it has been appropriate, and it has been measured.

And I was particularly pleased that he has expanded our military forces in Panama, and that he has told Americans living there that they will be protected.

Mr. Chairman, there has been much said about the deployment of these additional troops. Let me remind my colleagues that Article IV of the Panama Canal Treaty of 1977, grants the United States authority to act unilaterally, if necessary, to ensure the security of the Canal and the ships that transit the Canal.

This right is guaranteed by the Treaty which was adopted by both our Senate and the Panamanian people themselves.

I fully expect that if any American is attacked by the Panama Defense Force or Noriega's so called "dignity battalions," then our military forces will respond forcefully and without hesitation.

There should be no doubt in General Noriega's mind that further attacks on Americans on the Panama Canal will be answered in kind.

I would also like to say to the Panama Canal Commission employees who are with us today that once Noriega is gone, I am confident that the issues of employee tax payments, educational fees, automobile registrations, and a host of other matters, which have caused you such concern will be resolved.

Your lives and the lives of your children will improve dramatically with Noriega's departure and the restoration of civilian Democratic rule in Panama.

I will also ask that all efforts be made, and I am going to make this request directly to the State Department, to temporarily extend commissary and PX privileges to our American P.C.C. employees.

These are extremely difficult times in Panama and we must allow these individuals to obtain the basic necessities of life without endangering their safety.

And as I am sure most are aware, last year the House of Representatives overwhelmingly approved legislation to extend temporary PX and commissary privileges to our employees.

Unfortunately, the Department of State foolishly, and I want to underscore the word foolishly, chose to oppose that legislation despite the fact that it would not be a violation of the Panama Canal Treaty.

And I am going to say to you, Mr. Chairman, I am willing to go forward again this year with this particular provision. Now, I would hope that the State Department would work in concert with people, like myself, instead of against people, like myself, and against the people who came all the way from Panama to testify today.

Mr. Chairman, I would finally be remiss if I did not comment on the efforts of some of our colleagues to abrogate the Panama Canal Treaties.

While I strongly believe these treaties were a terrible idea, founded on the naive principle that by giving away the Panama Canal we would ensure a friendly Government in Panama. This is not the time to discuss abrogation. Based on my 9 years of service to this Subcommittee, and my travels to Panama, it is clear that abrogation of the treaties is the one issue that could save General Noriega.

The Canal is a highly emotional issue which unites all Panamanians. And I think we should work with the Organization of American States and others to get rid of Noriega before we even begin to reexamine the treaties.

Mr. Chairman, I appreciate the opportunity to speak. And I look forward to working with you. I look forward to hearing our witnesses today.

Mr. DYSON. Let me thank the gentleman from Texas. The other gentleman from Texas will be recognized if he has any opening statement.

Mr. LAUGHLIN. Thank you, Mr. Chairman. I share the concerns that you and Mr. Fields both have expressed, and I am ready to get on with the hearing. Thank you.

Mr. DYSON Ask the gentleman from Florida. I know he is not a Member of this Subcommittee. He is a Member of our Full Committee. If he had an opening statement we would be willing to receive it.

Mr. Goss. Mr. Chairman, in the interest of time I will decline but I appreciate the courtesy afforded me, and I am very happy to be here.

Mr. DYSON. We are very glad to have you here today. We will begin with our first panel; and, Mike, if you could sit down while I make the opening statement.

General McAuliffe is not able to be here. I do not think I need to explain why. He has always been a great asset, I think, to the Commission as the Administrator of the Panama Canal Commission.

He has sent a statement in and I would ask at this point, unanimous consent to have that included in the record.

[The statement submitted for Mr. Robert W. Page can be found at end of hearing.]

STATEMENT OF MICHAEL RHODE, JR., SECRETARY, PANAMA CANAL COMMISSION

Mr. DYSON. Mr. Secretary, we will allow you to start off. We would very much appreciate it if you would submit your statement for the record and summarize it for us now.

Mr. RHODE. Thank you, Mr. Chairman, I have. And for the record I am Michael Rhode, Junior, the Secretary of the Panama Canal Commission.

I appreciate very much the opportunity to provide testimony at this hearing concerning the present uncertain situation in Panama and the effect of the campaign of harassment and intimidation launched by the Noriega regime against Canal employees.

Before I provide my testimony, Mr. Chairman, I wish to present a statement for the record for Mr. Robert W. Page, the Assistant Secretary of the Army Civil Works who was named, effective May 1, 1989, as the representative of the Secretary of Defense on the Board of Directors of the Panama Canal Commission.

I anticipate that Mr. Page will be elected Chairman of the Board at the June 1st meeting. I request that his statement be included in the record, Mr. Chairman.

Mr. DYSON. Without objection, we will include his statement. He has already talked to me quite some length about the issues we are taking up today.

And I realize he is out of the country now. We did include him on the list, notwithstanding that, and his statement will be a part of the record.

Mr. RHODE. Thank you, Mr. Chairman. Also, you have already addressed this issue, but Mr. McAuliffe asked that I convey to the Members of the Committee his regrets.

Because of the situation in Panama, he was unable to travel to Washington and appear before this Committee.

Mr. Chairman, as you know, the elections in Panama and the events immediately following them have contributed to a further deterioration of relations between our two countries.

Because of the continuing turmoil and sporadic violence, our employees and their families, both American and Panamanian, are experiencing unprecedented difficulties and personal hardships in their daily activity both on and off the job.

I can report with a great deal of pride and satisfaction, however, that despite those extraordinary obstacles, the men and women of the Panama Canal Commission have continued to provide uninterrupted safe and efficient transit through the critical waterway to the vessels of all nations.

And this being the extremely unsettled conditions under which we are not operating and to ensure the welfare of our employees as well as continuity of operations, contingency plans in a number of key areas were implemented just prior to the elections.

Included among these initiatives are enhanced security and vital installations, expansion of both land and water transportation capabilities to get workers to and from job sites, provisions of temporary lodging and rations for employees held over at their duty stations, and activation of the emergency communications and information center to keep employees and their families abreast of developments as they occur.

We are also in continuous contact with the emergency operation centers at the U.S. Southern command and the embassy.

Notwithstanding the measures that we have taken to safeguard operations and assist the work force, the Administrator has asked me to convey his profound concern for the welfare and physical security of the residents of our Canal communities, most of whom are Americans.

These people do not live within the confines of U.S. military bases and, therefore, are particularly vulnerable to violence that may spill over into or even be intentionally directed at the Canal area.

At the consultation with Mr. Page as well as the U.S. Ambassador and the Commander-in-Chief, U.S. Southern Command, the Administrator put into effect this week, a voluntary relocation plan applicable to the dependents of our U.S. employees.

At this point, Mr. Chairman, I would like to spend a few moments on another problem of critical proportions facing the Canal today.

You are aware that the economic sanctions instituted against Panama last year and revalidated recently by President Bush, require certain payments to be made by the Commission into a designated escrow account rather than to Noriega regime.

These escrow monies include amounts withheld from the salaries of our Panamanian employees as income tax and educational insurance owed to them to Panama.

The non-payment of these tax monies to the regime is resulting in extremely negative consequences for our Panamanian employees.

To date, the amounts held in escrow total approximately $22 million and $10 million for the Canal Commission and the U.S. military, respectively, for a total of about $32 million.

Specifically, the regime has moved against our Panamanian employees by prohibiting their travel outside the country by withdrawing their right to conduct many business transactions. And most recently, by refusing to renew the license plates for their vehicles.

In addition, Panama's Treasury officials have instituted collection actions against selected employees in which they are seizing their vehicles and freezing their bank accounts.

Our loyal Panamanian employees are now being treated as criminals in their own country by the illegal regime dominated by Noriega.

The regime effort to change U.S. policy by harassing and threatening our employees has created serious practical and morale problems for our work force.

The solution to these problems is the early departure of General Noriega from power and the resumption of normal relations between United States and Panama.

Mr. Chairman, I cannot overemphasize the gravity of this matter. The morale of our Panamanian employees, who as you indicated in your statement, now comprise 85 percent of the work force, has fallen to a new low because of the situation I have described.

And that fact will, if allowed to continue, inevitably result in a significant deterioration, and the safety, and efficiency of the waterway.

Mr. Chairman, I would submit the rest of my statement for the record and say that that concludes a portion of my prepared remarks. And I would be now happy to respond to any questions that you or other Members of the Committee might have.

[The statement of Mr. Rhode can be found at end of hearing.]

Mr. DYSON. Well, we want to thank you for being here today and certainly offering that testimony. I have some questions that our staff has prepared for me and they are very good. I am going to try to ask you some of them.

But before I do that, on page 4, of our testimony, I see underlining the comment you make here. Let me start at the beginning.

You state that, "I would like to conclude by noting that although the political crisis has not yet caused traffic to divert from the Canal, we have ascertained from discussions with shippers that they are becoming increasingly worried about the continued safety and efficiency of the waterway."

As I spoke with you, I guess about a month ago, prior to the election, you told me at that time that traffic diversion was not a concern. At that time, you had not heard anything from the shippers.

Your conclusion is a change, is it not?

Mr. RHODE. At a port association meeting 2 weeks ago in Miami wherein most of the shippers of the world had gathered, our staff met with those representatives and, at that time, concern was expressed about future operations to our people that were attending that meeting.

Shippers are beginning to be concerned about the post-2000 era of the Canal and the future viability of the Canal if the Noriega regime continues to harass our employees. That harassment has an impact on the Canal operation.

Mr. DYSON. God knows I hope it does not last that long.

Mr. RHODE. I hope not either, Mr. Chairman.

Mr. DYSON. It would be a heck of a foreign policy. Explain to me a little bit further what the Commission's policy is going to be with regard to temporary relocation of Canal workers and dependents.

If I understand correctly, the President's executive order seemed to concentrate primarily on American dependents. And as you well know, 85 percent of the Canal employees are Panamanian or third party nationals.

What is the Commission's position on that? What are you all attempting to do? Obviously, you cannot relocate all of them to military housing.

Mr. RHODE. You are speaking primarily of the Panamanian employees of the Panama Canal Commission?

Mr. DYSON. Exactly.

Mr. RHODE. Presently, the Panama Canal Commission is unable to move any of our Panamanian employees from their homes, in their own country, into Panama Canal Commission Housing.

We have made plans and have begun to move some of the U.S. employees and their dependents who live in Panama City into Commission housing.

As you will recall, I am sure the President sent the additional forces down to protect the lives of Americans living in Panama.

We are bringing the American employees and their dependents back into our housing areas, which are not as protected as the military installations where the military dependents are being housed.

It does bring them together and they are closely associated with the military community.

Mr. DYSON. Let me ask you something, if I can interrupt.

Mr. RHODE. Sure.

Mr. DYSON. Does that cover everybody? All of your employees? You told me you were relocating some out of Panama City.

Mr. RHODE. That includes the Americans. We had some 60 families, Mr. Chairman, that lived in Panama City and other areas and they are currently being relocated to Commission housing.

Mr. DYSON. I am informed that there are no patrols, that there really is no protection for them. How is it patrolled? I mean, our troops are not patrolling your housing areas, are they?

And I am not talking about the military bases. I am talking about Commission housing.

Mr. RHODE. There are no U.S. military patrols in Commission housing. Under the Treaty, unfortunately, we have to look to the Panama Defense Forces for protection in our housing areas.

The very people that are commanded by the individual that needs to be deposed are responsible for our protection.

Mr. DYSON. I imagine you would feel overwhelmingly secure knowing that they were the ones protecting you.

Mr. RHODE. Yes, but they are. And you might wish to put this question to the Department of Defense representative who would be better able to answer it than I.

But they are into our housing areas and there are contingency plans that do exist. I am sure that the Department of Defense will address those for you.

Mr. DYSON. They are sitting right behind you. They are going to get their opportunity I hope. I have one other question.

The relocation of U.S. dependents stateside. The per diem cost associated with that. Do you have any kind of numbers at this point of what that is costing?

Mr. RHODE. As I indicated in my statement, the Administrator instituted a revised program just this week which is more lenient than the earlier one and is directed at allowing as many of our dependents that wish to to relocate to the States.

He set the per diem rate at $16.50 per day per individual. That would does not include, of course, cost of transportation back to their home of record or an alternate destination to which they desire to relocate.

I do not have any numbers yet and I will certainly provide them to the Committee for the record as to the number of dependents that have taken advantage of this program.

Mr. DYSON. You know my concern. Obviously, these expenses come out of the Canal's toll revenues.

Mr. RHODE. That is correct, Mr. Chairman. And, of course, as you know, the Commission is having a very difficult time financially this year because of the problems in Panama.

We are in a deficit posture. The Administrator, after due consideration and discussion with a number of his staff advisers, felt that the Commission could not create a financial bonanza or anything like that.

We simply do not have the money to pay full per diem. He did want to make it easy for our dependents who wanted to relocate to the States by paying them $16.50 for each day per individual up to 180 days.

That program would also include one round trip visit by the sponsor. In other words, our employee would be allowed to visit his dependents in the States during that time period at Commission expenses.

So the financial costs, $16.50 per day per dependent, round trip transportation to the location requested, and one round trip during the time period for the employee to visit his dependents are considerable.

Mr. DYSON. You know, at the very beginning when I was elected Chairman of this, we had a sort of an informal briefing in this very room and I think one of the questions, I may have raised it myself, was that how far you can go in toll increases to meet your obligations and still keep the traffic?

I mean, at some point, it becomes too expensive to transit the Canal and it is more practical to go around. Are we reaching that point? Are we getting close to that?

Mr. RHODE. No, we are not, Mr. Chairman. Studies indicate that we are not yet close to that point. As you know, the board will be meeting on June 1st and 2nd, and one of the issues that they will study and vote on will be a toll increase.

And right now, that is set at 9.8 percent, which our financial people tell us it will probably allow us to meet our required needs for the next 2 years.

Mr. DYSON. Is that still realistic when you take into consideration these extra costs, the $560,000 a month that it is costing you for the transportation?

I think the taxi rides are considered a part of that and some of these other costs that were obviously never anticipated, in my opinion, when you put that proposal together many months ago.

Mr. RHODE. We put that proposal together and it was originally designed to last for a minimum of 3 years. With the added cost of operation, however, we believe now that that proposal will only be good for approximately 2 years.

And then the Canal will have to reevaluate its financial condition. We are in the process of receiving a new projection on traffic through the Canal from the consulting firm of Temple, Barker, and Sloan.

The results of that study will be briefed at the meeting on June 1st, and that will provide a traffic projection for us. And it will, from now until the year of 2010, indicate the traffic trend through the Panama Canal.

It is my understanding that they are anticipating a growth of one and a half to two percent per year in tonnage through the Canal.

Mr. DYSON. Let me, at this point, thank you and ask my colleague and friend from Texas, the Ranking Minority Member, if he has any questions.

Mr. FIELDS. Thank you, Mr. Chairman. Mike, let me ask you to clarify something. In talking about these relocation assistance funds, first of all, I am informed that the lowest allowance in the Federal Travel Directory, is $66 per day.

And also I am informed that the original program that was announced on November 18, 1988, offered employee dependents $66 a day which would track, with a 30 day advance of $1,500 for each dependent 11 and over, and $750 for those under 11.

And then on November 29, 1988, the original program was suspended without ever being used. And then on January 19th of this year, a new program was announced which offered $66 a day per diem, but only for those dependents who had been physically harmed or subject to direct acts of harassment.

And now we have got an additional program announced on May 12th, which removes the abuse and harassment requirement, but lowers the assistance from $66 per day to $16.50 per day.

Why all those changes?

Mr. RHODE. Well, if I might go back, Mr. Fields. The Board originally approved the program that you mentioned as the first one.

They found that the program was essentially unworkable. We had a number of people apply, but did not qualify over the series of the first two programs.

At the time we were doing it, the Administrator decided on the $66 a day per diem. Our projections financially were still adequate to keep us within our budget for the year that had been programed.

But with the advent of the income tax issue and the additional expenditures that the Commission has had to make to simply get its work force to the work site, the Administrator, in consultation with Mr. Page, made a decision after advice from his staff that he wanted to give our employees the flexibility of sending their dependents back if they in anyway felt that they were in danger in Panama.

But he simply did not have the money to pay $66 a day.

We believe that it will pay for the basic costs. We will pay the air transportation to and from the relocation site plus the cost of the sponsor to visit his dependents once during the relocation period.

It was a financially driven decision made by the Administrator.

Mr. FIELDS. If the Congress enact a legislation allowing you to deduct those funds from either the escrow account or the interest on the funds, would you raise the level back to $66 per day?

Mr. RHODE. I would not like to answer for the Administrator, but I am sure he would be happy to raise the level to $66. per day.

Because, as I said, this decision was a financially driven one. The law requires us to operate within our revenue. We are having a difficult time this year.

Mr. FIELDS. Let me just say on this and other issues and I mean this constructively. We have had a good relationship with the Panama Canal Commission.

But it is my understanding that there is a common complaint that there is not enough input from the community, the P.C.C. American working community with the Administrator that he does meet with certain individuals, but, in essence, does not meet with a broad spectrum.

Or perhaps, you know, he could get some good advice, some good constructive comment. And if that is the case, and I would suggest the Administrator spend some time talking with as many people as he possibly can.

Mr. RHODE. I will certainly pass your comments on to him, Mr. Fields. I do know he has the resident advisory council set up that he meets with and he has input from our employees and their dependents.

But I will certainly pass your comments on to him and I know he will take them into consideration.

Mr. FIELDS. Mike, let me go also a little bit further on what the Chairman was saying just a moment ago about protection in the various areas of Panama where we have American dependents living.

Is there any type of communication network set up? I understand that under the Treaty, the PDF provides security. But it would seem that it could fairly easily be established, a system whereby if there is a problem, there is communication to our military base.

Does that exist?

Mr. RHODE. There are all sorts of communication system that Mr. McAuliffe has set up down into Panama. We have what we call a PROF system which sends out information automatically to all the work sites instantaneously and so, our workers are informed in this manner.

In addition, we have hotlines set up and our employees are aware of those numbers. They call in and we pass the information to them.

I am not sure, but I will certainly provide a response to you as to what type of communications to the residents in their housing areas have. I do not know. I will have to provide that for the record.

But I do know at the work site that there is good communication systems set up and operating.

Mr. FIELDS. One last question and it regards PX privileges. Is the Commission in favor of our employees being able to go to the commissaries and purchase supplies?

Mr. RHODE. Yes, Mr. Fields, we are. As a matter of fact, Mr. Page sent a letter to the Secretary of Defense on Tuesday, asking that he use his good office to ensure that the U.S. employees of the Panama Canal Commission be granted the post exchange and commissary privileges because of the situation in Panama.

Mr. FIELDS. Who opposes that?

Mr. RHODE. Well, I do not think it has been fully staffed yet. We are working on it. We just sent it up to the tape on Tuesday afternoon.

So far, nobody has told me they oppose it.

Mr. FIELDS. Historically, who is opposed that particular action in our Government?

Mr. RHODE. Well, my good friend Michael Kozak is sitting behind me. But we did have a little problem with them last year. But we finally ended up working out an agreement so that our employees did get the shoppettes which they still have.

Mr. FIELDS. But that is not the same thing as the PXs.

Mr. RHODE. No, it is not, Mr. Fields. The shoppettes are akin to a 7-11 store. The commissaries are regular grocery stores, if you will. The PXs are, I guess, department stores.

Mr. FIELDS. Well, I am going to wait with bated breath, Mr. Kozak or someone to turn around and tell these people who live in Panama who are American citizens why they cannot go on base and shop at the commissaries and the PXs.

I am anxious to hear that. And I would like a copy of the letter that you mentioned just a moment ago.

Mr. RHODE. I am sorry?

Mr. FIELDS. I would like a copy of the letter that you mentioned just a moment ago.

Mr. RHODE. I will provide that for the record.

Mr. FIELDS. Thank you, Mr. Chairman.

Mr. DYSON. The gentleman from Texas.

Mr. LAUGHLIN. Mr. Rhode, the withholding of taxes by the Panama Commission and our Government of the Panamanian employees, we have created problems. The Noriega regime is refusing to issue license plates, in some instances, cars, and threatening to confiscate other property.

I was wondering if you could comment on the role of the Panamanian court system in protecting the rights of these individuals who have, in fact, paid the taxes that they are being threatened by the Noriega regime.

Mr. RHODE. There is a system in the courts in Panama and they are required to publish the names of the Panamanian individuals who have not paid their taxes in the local media for 5 days.

And once they do that then they can take the individual into court and it is up to the tax payer to prove that he has paid those taxes.

If he is unable to do that then the court is able to confiscate his property, and dispose of that property to satisfy the tax lien.

There are a number of penalties, interest, and other things associated with that. And I am not totally conversant with that, but I will provide the percentages for the record, if you like.

What has happened is that some of our people have had bank accounts confiscated or frozen which they cannot use. I believe eight of our Panamanian employees, to include perhaps one or two in this room, have had vehicles confiscated.

It is my understanding they have not yet been disposed of but they have been confiscated to satisfy their tax lien. Our Panamanian employees are between a rock and a hard place.

We are taking the money out of their check for income tax, but we are depositing it in escrow account number three, in the Federal Reserve Bank in New York at the present time and that is in accord with the sanctions.

They are in a difficult time. They have been threatened, they have been harassed, they have been coerced. The Commission has said that we would pay for their attorneys. We have paid for attorneys to assist them in their fight to retain their property.

Mr. LAUGHLIN. Once the Panamanian citizens shows or demonstrates that they have paid their taxes to us, do the Panamanian courts give them any relief?

Mr. RHODE. No, they have not. Under the Treaty, the Panamanians cannot touch the Panama Canal Commission in court so they resort to the only alternative and that is the Panama Canal Commission employees.

We have given them all statements to show how much money has been retained, but it is not recognized because it has not been received by the Noriega regime.

Mr. LAUGHLIN. Since this harassment of the Panamanian citizens who are workers on the Panama Canal, has there been any reduction in the status of the maintenance or the equipment on the Canal?

Mr. RHODE. No, Mr. Laughlin, there has not. Any reduction of maintenance has been a designed reduction in order to save some money because of budgetary constraints.

Our employees do everything they can to get the work, and we owe a great deal to those Panamanian and American employees who work so hard to keep that Canal open and operating safely and efficiently.

Mr. LAUGHLIN. Earlier you testified about the traffic flow and perhaps consideration for increasing the tolls for the usage of the Panama Canal.

I was wondering if you could comment whether in the past year there has been an increase in the traffic flow or a decrease?

Mr. RHODE. There has been a slight decrease which was projected for this year. A few ships, tonnages off just a little bit, but we pro-

jected that the traffic would be somewhat flat during this fiscal year or slightly less than last.

Traffic is projected to begin increasing again next year at a rate of about one and a half to two percent.

Mr. LAUGHLIN. Thank you very much. That is all the questions I have, Mr. Chairman.

Mr. DYSON. Mrs. Bentley?

Mrs. BENTLEY. Thank you, Mr. Chairman.

Mr. DYSON. I would tell the young lady from Maryland that Mr. Fields has placed your statement in the record.

Mrs. BENTLEY. Thank you, Mr. Chairman. I appreciate that and I thank Mr. Fields. I will just make one point here, Mr. Chairman. It is in my statement.

And that is that it might be in order for this Subcommittee to hold a field hearing down in Panama to talk to many of the employees at some point.

Mr. DYSON. I would like this young lady from Maryland to know, I was invited by the Republicans to go, but I thought it was wise to stay. I am still trying to read whether there was a message in that.

Mrs. BENTLEY. Now, I could go with you, Mr. Chairman.

Mr. DYSON. And Mrs. Bentley, I sent all of you letters today saying that Mr. Page is planning a trip to Panama on the 8th of June and inviting all of you to go with us. We would be happy to have you accompany us if your schedule permits.

Mrs. BENTLEY. Mr. Rhode, let me ask you, to start off with, you say in your prepared statement that there is a nervousness down there. And based on this nervousness and concern, do you favor abrogation of the Treaties?

Mr. RHODE. No, I do not, Mrs. Bentley. I think as others have stated that the thing to do if you really want to cement Noriega's position right now is to do something like that. That is my personal opinion. I am not speaking for anyone else.

But my own view is it would be a mistake to do that.

Mrs. BENTLEY. A lot of discussion today has been concentrating on the per diem. How much per diem are you allowed on a trip up here?

Mr. RHODE. I am here, Mrs. Bentley. My office is here. This is my work site.

Mrs. BENTLEY. This is your office here, all right. When you travel, how much per diem are you allowed?

Mr. RHODE. It depends on where you go. There are different per diems for every where we go on official business.

For instance, I think in Maryland it was $56 a day. And we had planned on having our board meeting and I believe that is what it was plus some additional amount for food.

But we are sent on official business, it is not elective.

Mrs. BENTLEY. How are the dependents who qualify for this per diem selected? Is it just those who had to move out or how are they selected?

Mr. RHODE. I do not believe any have been selected yet, Mrs. Bentley. The new program just went into effect this week and they are in the process of making applications for it.

We have a committee that will take the applications and interview the employee. That committee makes the recommendation to the Administrator and he approves or disapproves that.

That is in the process of being worked right now. Applications are beginning to come in.

Mrs. BENTLEY. Apparently, one of the criteria is going to be those who may have been physically harmed or subject to direct acts of harassment?

Mr. RHODE. Well, we have relaxed the criteria quite a bit because of the current situation in Panama. The new program that the Administrator implemented this week will almost allow everybody to send their dependents home if they so desire.

It is a voluntary program and it has some parameters. If you send them home they have to stay in the States for 6 months before they can come back at Commission expense, and that sort of thing.

And our employees are weighing those requirements against their desire to send their dependents home on a voluntary basis at Commission expense.

Mrs. BENTLEY. So what you are saying in essence is that there is still a daily harassment, road blocks, et cetera is a normal occurrence down there? I mean, it is still going on?

Mr. RHODE. I do not think we have seen any road blocks since Sunday from reports that I have received, but there has been harassment that we have had in the last ten days with at least eight of our Panamanian employees arrested and thrown in jail for 60 days for political activity .

And so the harassment continues.

Mrs. BENTLEY. Okay, you said that this new program getting underway this week of selecting those who can be transferred out temporarily—State and Department of Defense, I believe, have been doing this with their dependents for several months now, have they not?

Mr. RHODE. Well, I would prefer you direct that question to them. Some dependents have come out, but it is a completely different situation with them than with the Panama Canal Commission dependents because the Department of Defense folks are being transferred to other locations.

And so they are being brought out and going to new duty stations.

Mrs. BENTLEY. I see.

Mr. RHODE. None of our employees will be coming out of the Panama Canal. We believe they are essential to the continued operation to the Canal and so we are not sending any employees out. We are only talking dependents.

Mrs. BENTLEY. I believe the last time you were here you said—you may have this in your prepared statement, which I have not read in its entirety yet—about the additional buses that the P.C.C. had to buy in order to transport employees around.

Mr. RHODE. We have contracted. We did not buy any.

Mrs. BENTLEY. You contracted them?

Mr. RHODE. Yes, ma'am.

Mrs. BENTLEY. Okay. How much is the P.C.C. paying per day to bus employees to work?

Mr. RHODE. Well, let us see. My math is not good enough. We are spending between $500,000 and $600,000 a month to provide bus transportation and reimbursement for taxi service for our employees to get to work, Mrs. Bentley.

I think it is around $20,000 to $25,000 a day or something like that.

Mrs. BENTLEY. And is this the only option available?

Mr. RHODE. According to the Administrator it is. They tried to look at a number of different things. We have increased our water transportation within our limited capabilities, but we do not have the launches to do that.

So the only option open to him was the contracting of buses to pick up our people at collection sites and bring them into the work site and then take them back to the sites at night. This includes all three shifts.

Mrs. BENTLEY. Has this caused the costs of your operations down there to increase significantly this year?

Mr. RHODE. It has. We have a large unbudgeted expenses this year. For that reason, we had a programed—$2 1/2 million deficit for this year and we are now anticipating around $10 million for this fiscal year.

Mrs. BENTLEY. Have you been forced to use your borrowing authority?

Mr. RHODE. No, we have not used any borrowing authority.

Mrs. BENTLEY. Do you anticipate that you will any time in the near future?

Mr. RHODE. No, we will not use the borrowing authority, Mrs. Bentley. We use the borrowing authority simply to back stop obligations because Government Accounting Regulations require that you have money in the bank before you grant a contract or anything like that.

But we do not physically use the money. And we have no intention of doing that. The old Panama Canal Company, during its existence, had the borrowing authority and never once used it. We do not believe that we will ever have to.

Mrs. BENTLEY. Now, if dependents want to leave and the Canal employees are willing to stay, is there any reason that the dependents should be held hostage down there? And why not let them go?

Mr. RHODE. I am sorry. I did not understand your question. I apologize.

Mrs. BENTLEY. You are making the determination now on the dependents perhaps leaving or being evacuated, whatever term you want to call——

Mr. RHODE. Yes, voluntarily.

Mrs. BENTLEY. Voluntarily. If they want to leave, why not let them leave? As I understand it, and correct me if I am wrong, that thus far, the dependents have sort of been held there, quote unquote, as hostages.

Mr. RHODE. If I understand, I do not view the Panama Canal Commission is holding any dependents as hostage in Panama. We have, as I said, just made the voluntary return program lenient enough so that almost every dependent down in Panama can take advantage of it if they so desire.

But there are restrictions still. If you bring your dependents home they have to stay for 6 months or until the program is terminated, whichever comes first.

And so some of them are a little hesitant about having them gone for 6 months. Perhaps they will simply take home leave instead this summer and not send their dependents home.

So there are several different programs on going.

Mrs. BENTLEY. Thank you, Mr. Chairman.

Mr. DYSON. Thank you, Mrs. Bentley. Congressman Goss?

Mr. GOSS. Thank you, Mr. Chairman. I have actually only one simple question. Having looked at your testimony and listened, it is not so much as what has happened recently, I think we are pretty much to speed on that, but I would like to have, in the understanding that in the next 30 days or so that there is obviously going to be an intensification of pressure, both from United States internationally on the situation, what your prognosis is that the Commission can carry out its function and what impacts or what surprises you might reasonably be forewarned, forewarn us about that might involve the employees?

Is there anything else out there we ought to know about?

Mr. RHODE. Our employees have been through some difficult times in the past year and they have always come through for us. We would like to think that the Panama Canal Commission is a good agency to work for.

During the time of crisis, last year when most of the stores and everything was closed downtown, we flew in provisions for our Panamanian work force from New Orleans. We brought it in and we sold it to them at cost.

Our U.S. folks got the shoppette privileges. They have been extraordinarily faithful in coming to work. The absentee rate is normal.

We have only had one day and that was the Tuesday after the elections when our absentee rate was a little higher than normal. That is certainly understandable because of the actions in Panama on that Monday, and the concern of our Panamanians for their houses and their loved ones and so some of them were not there.

They continue to show up. We have gone to extraordinary length to get them to work because they cannot drive their cars.

I know that their morale is low because the wife cannot take the car and go to the grocery store or take the kids to school or do those other things we are accustomed to doing here in the United States.

That is very unfortunate. But when Noriega leaves that will disappear. And we hope that the Canal will continue to operate. Management will do everything it can to ensure its continued viability.

I think our employees will do their darnest to be at work, and to do their job, and to keep it operating because it is a real symbol of their dedication that the Canal has operated so well for so long under such adverse conditions.

If the harassment of our Panamanian employees and U.S. employees is stepped up and Noriega does not leave, then we may be facing major problems.

Mr. Goss. I guess it was in that area of specifics I was most interested and perhaps this is not the right moment to get into that or the right place.

I think we would like to think that you and your colleagues are worrying about those matters so that those surprises that we would like to avoid we can avoid.

Mr. RHODE. We are indeed.

Mr. Goss. Thank you, Mr. Chairman.

Mr. DYSON. I thank you very much today. We appreciate you being here and for your testimony. We are going to change our witnesses around just a bit. And obviously we cannot accommodate that entire panel at the witness table.

So if we could have Captain Lowen, and Captain Maher please come to the table.

On behalf of the Subcommittee, let me welcome you here today. I am very pleased that you could be with us. You all are the people that make sure that this Canal does operate well and efficiently, and I know for some of you, you have made a great effort to be here today.

Let me again say that we have a large number of witnesses and if you have testimony, and we have some of it here, the Members have been able to read it or can read it now and I will ask unanimous consent to have all of your testimony placed in the record. And if you can verbally give us a briefer statement, we would appreciate it.

STATEMENTS OF CAPTAIN ROBERT J. LOWEN, INTERNATIONAL PRESIDENT, INTERNATIONAL ORGANIZATION OF MASTERS, MATES, AND PILOTS; AND MR. JOHN H. MAHER, BRANCH AGENT, MEMBER OF THE PANAMA CANAL PILOTS BRANCH OF THE INTERNATIONAL ORGANIZATION OF THE MASTER, MATES, AND PILOTS UNION, AFL-CIO

Captain LOWEN. Thank you, Mr. Chairman. I do have a prepared statement, and with the permission of the Committee, ad lib out of it rather than reading it directly.

Mr. DYSON. Without objection. And as I said, it will be in the record.

Captain LOWEN. Thank you. My name is Robert J. Lowen and I am the President of the International Organization of Masters, Mates, and Pilots.

And as you pointed out a moment ago, Captain Maher, who is the head of our Panama Canal Pilots Branch in Panama is with me at the table.

Also present in the hearing room are a number of both Panamanian and American citizens, some who have dual citizenship, others are officers of the organization, and others are just rank-and-file members of the MMP.

The MMP alone has about 800 employees in the Commission itself. Really we serve in a wide range of the Commission jobs—practically the entire gambit of the Commission.

We serve as pilots, towboat masters and mates, traffic controllers. On the administration side, we are lawyers, engineers, police

and guard personnel, electronics workers, accountants, and clerical staff.

We most particularly appreciate the opportunity of discussing the problems being faced by our American and Panamanian citizen employees with the Commission today.

And I would like to commend you, Mr. Chairman, and the Members of the Committee and your staff who have worked very hard in response to a number of situations that have arisen over the past 2 years that we are going to address to the Committee and its staff.

We have a long history of involvement in the Canal operation. And this is both prior to and subsequent to the treaty. We have dedicated ourselves really to maintaining the highest level of professionalism to maintain the safe operation and the safe administration of this waterway.

In 1979—for those of us who remember those days—when turmoil was afoot and the Congress was faced with the difficult task deciding to execute the Treaty with Panama, there were a number of concerns that were expressed by the administration, by Members of Congress, and by the individual employees of the Commission.

Panama had a number of concerns, too, and those really revolved around whether or not Panama and Panamanian citizens were going to be capable of operating the Canal in the same safe and efficient manner that was the history of operation for the Canal.

In that regard, the MMP was approached in an ex-officio basis by the then Government of Panama. And I was invited to Panama and spent a week down there dealing with both private and public persons within the Government of President Royo.

And we reached an agreement.

That agreement purely and simply was that we gave our word and our hand that our members in whichever branch of the Canal they worked, would train, and continue to train, Panamanian citizens so that at the appropriate time and at the appropriate date, in compliance with the Treaty that was being contemplated at the time, the Canal would be turned over to people who were qualified and competent to operate that Canal.

In return for that, the Government of Panama unqualifiedly guaranteed the safety of all Americans and all Panamanian citizen employees, whether they were DOD or whether they worked in the Panama Canal Commission.

Until very recently—until the Noriega Government—that commitment had been lived up to by the Panamanian Government, except for very few minor incidents throughout the last 10 years.

The commitment by the Panamanian Government has been the safety, protection, and the security of all American and Panamanian employees of the Commission and the DOD.

That has changed obviously. In 1988, when the previous Government was deposed by General Noriega, it set off a chain reaction of U.S. and Panamanian moves and countermoves.

Many of the well intention actions taken by the U.S. Government to apply economic sanctions to the Noriega regime, have been to the detriment of both American and Panamanian citizen employees.

We all understand the reason for the economic sanctions, but we feel it is imperative for the U.S. Government to accept its own responsibilities to protect the economic well being and the safety of all of its employees.

Since February of 1988, the employees have been more severely affected by the changing situation. Due in great measure to assistance by this Subcommittee and its staff, we were able to get the U.S. and the Delvalle Governments to agree to allow our citizens the use of shoppettes.

That, of course, was over the strenuous objection of the U.S. State Department, which has actively opposed the granting of these shopping privileges, even on a temporary basis.

Adding to the harassment of U.S. citizen employees, the Noriega regime advised the Panama Canal Commission that they consider the use of the shoppettes—and this was in July of 1988—to be a violation of Panamanian customs law and threatened to enter our Commission employees quarters to search for and to seize contraband and to possibly assess penalties against the U.S. citizens.

To date, this threat still hangs over the heads of U.S. citizen employees of our Government in Panama.

As part of its additional efforts to exert economic pressure, the United States has refused to allow transfer payments to Panamanian Government for employee contributions withheld.

These are only some of those. There are three taxes withheld. There is the income tax, the education tax, and the Social Security tax.

Several months back, when it appeared that there was going to be a major crisis over the Social Security tax that might result in a work stoppage, the MMP met privately with the Panama Canal Commission—actually with Mike Rhode, who was very very supportive.

We met with the members of the staff. And we then also—and again on an ex-officio basis—met privately with Ambassador Sosa, the Ambassador for the Delvalle Government, and worked out what we thought would be an arrangement whereby Delvalle would urge the U.S. State Department to allow the social security tax funds withheld to be transferred, on humanitarian grounds, to the Panamanian Government.

This was done. That commitment was lived up to. And the Noriega Government did not press forward with the various sanctions that they intended against Panamanian employees.

But despite the efforts of your Subcommittee and despite the efforts of a number of individuals who have been attempting to help, the problem still continues to deteriorate.

We now have the problem of the paz y salvo documents from Panama; and that simply is that no Panamanian can leave the country, they cannot conduct simple business, they cannot buy a car, and they cannot sell a house. They can do nothing that, in effect, deals with their well being or their ability to engage in free commerce.

It is detrimental to the morale of our employees, and placed them all under considerable stress and uncertainty as to their future.

In contrast, under the economic sanctions imposed last April, the taxes and other payments that U.S. companies make that were previously paid to Panama were now being paid into an escrow account at the Federal Reserve Bank in New York.

Congressman Gejdenson, Chairman of the House Foreign Affairs Subcommittee on International Economic Policy and Trade, has noted that U.S. officials had noted privately that the sanctions have not been enforced because U.S. companies have simply ignored the law.

Instead of clamping down when the lack of enforcement policy became public, the Treasury Department simply amended the regulations in January, and made it legal for the companies to ignore the Federal Reserve Account.

They knew that change was controversial, but they took the action unilaterally and there was no opportunity for public debate.

At the same time, the American Chamber of Commerce in Panama, representing more than 100 U.S. firms, started to lobby to exempt private U.S. companies from the sanctions on the ground that it is unfair to apply the same measures to them that are applied to the Panama Canal Commission employees and other U.S. Government entities.

And as an aside I might note, the State Department employees appear to be treated by a different measure or standard.

My understanding is that while Panamanian income taxes are not withheld in accordance with the Treaty, that the education tax and the Social Security taxes have been withheld from State Department employees and continue to be paid over to the Panamanian Government while the Panama Canal Commission taxes are being withheld for their employees and place those people in jeopardy by not being paid over.

In October of 1988, the officials of Panama published a warning to delinquent tax holders or tax payers and employees of the P.C.C. that they would begin legal proceedings, including the seizure of real and personal property to collect their outstanding income taxes.

They were also threatened with fines for non-payment of the taxes. By the end of 1988, a number of Panamanian citizen employees of the Panama Canal have been notified that proceedings would commence shortly to seize their property.

That, in fact, has been done. And I believe the other witnesses will testify to it as being done.

The Panamanian Government also requires employees to have a certificate showing that all taxes have been paid before they are issued a new or renewed automobile license. A deadline of February 28, was set as the date to begin enforcement of that regulation.

And on March 14, in its next step of harassment, the Panamanian Government sent a letter to the Canal Administrator stating that some Panamanian citizens had obtained the 1989 plates, without fulfilling their legal requirement of obtaining a paz y salvo. It threatened to go to work site parking lots to confiscate plates and impose appropriate sanctions.

The Commission properly protested this threat and warned it could lead to disruption of Canal operations. The Commission also

established a plan to help defray transportation costs for employees forced to use transportation.

The plan, while commendable, is really insufficient because many employees, especially the Panama Canal pilots, are on a 24 hour call. For the most part, they live in suburbs and it is virtually impossible at the time of night that they are called out to get a taxi or a bus to get safely to and from their duty stations.

The Canal really has been virtually free of all strikes and slow downs since its opening. The MMP and the other unions representing the employees in Panama fully expect that their employees and their members will continue to work.

But they also know that the Commission employees are very worried. They are frustrated. They are angry. They are looking for some way to strike out.

It is easy for the State Department officials to decide that the Commission employees should suffer since they do not do any suffering themselves.

But they do not seem to worry about how the policy decisions they make will affect the economic security or the safety of the Panama Canal Commission employees and their families.

They do not worry that one of their own family members may be detained by a police force or not allowed to make contact with his family or his employer.

And that too has happened to our members.

The Government has recently held an election in Panama and the Noriega regime overturned the legitimate results. As a result, the President has announced several steps being taken by our own Government in response.

One of these actions is a continuation of the sanctions that have been in affect until now.

Mr. Chairman, we need your help. The U.S. Government must do more than just recognize the crisis facing the employees of the Panama Canal Commission.

It must take some tangible steps to alleviate the problem they face. We have a couple of suggestions and one is that one of the most positive steps that could be taken by our Government is to ensure that no Commission employee who is exposed to financial damages resulting from the legal actions taken by the Noriega regime as a result of the attempt by the United States Government to impose economic sanctions on Panama should be made to suffer.

One way this can be done is to ear mark the interest paid on funds held in escrow to reimburse those individuals who lose cars or lose homes or lose bank accounts due to sanctions, or who are fined or forced to take legal counsel for non-payment of paz y salvo taxes or for other work related penalties assessed by the Noriega regime.

Further, when a legitimately elected Government returns to power in Panama, consideration should be given to changing the policy of withholding the taxes of Panamanian citizen employees of the Panama Canal Commission.

This will help prevent this type of situation from arising in the future. I would suggest that the U.S. Government make clear to the Noriega regime that the taxes currently being withheld from the salaries of these employees by the U.S. Government is in ac-

cordance with the long standing agreements between the two governments and the employees are therefore not tax delinquents.

That they have paid their taxes through automatic withholding. It is the U.S. Government who is not transferring the money. Any protest against the policy should be directed to the U.S. Government and not the innocent employee.

We would urge that APO, PX, and commissary privileges be restored to the U.S. citizen employees for the duration of the crisis. And I believe one or two Members of the Committee has already commented on that.

Further, our Government must ensure the physical safety of all employees, both U.S. and Panamanian. The Panamanian employees should be assigned to available living quarters if possible.

This would further protect them from the possibility of physical assaults and allow for the continued efficient operation of the Canal.

A firm and tangible commitment to the alleviation of the emotional stress and the low morale experienced by Commission employees because of this campaign of harassment and intimidation by the Noriega regime must be demonstrated by the U.S. Government.

I heard Mike Rhode's comment at length on the extraordinary dedication and commitment of the Panama Canal employees.

I think it is about time, Mr. Chairman, that the U.S. Government also, in reciprocation, demonstrated to the employees of the Commission that they have their best interest at heart and will do what they can to ensure that they are held harmless for any actions taken by the U.S. Government in its attempt to change foreign policy on the Noriega Government so that they too are protected and held harmless from damage.

Mr. Chairman, thanks for the opportunity to appear. I assure you that my own union, as all of the other unions here, stand ready to work with you and the Subcommittee and staff to protect the employees of the Canal and to ensure the continued and efficient safe transit of vessels through the waterway.

Thank you, sir.

[The statement of Captain Lowen can be found at end of hearing.]

Mr. DYSON. Thank you very much, Captain, for being here and just before Captain Maher speaks, I know you have to go and I do not know whether any of the Members here have a question they would like to ask you. If there are none——

Mrs. BENTLEY. I do not have a question, but I would like to welcome Captain Lowen here. Captain Lowen is a Marylander whose union has contributed economically to the State of Maryland with their school.

It is not in either your district, Mr. Dyson, or my district but Maryland benefits on the whole. And we appreciate all the activities that the MMP has undertaken.

Captain LOWEN. Thank you for those kind words, Mrs. Bentley. We are never adverse to supporting good works of any kind.

Mr. DYSON. Thank you again, Captain. We are glad to have you here today. It had nothing to do with you being a Marylander, but we are certainly overwhelmed to have you here.

Captain LOWEN. Just being an American. Thank you, sir.

Mr. DYSON. Captain Maher, just before you get started, I do not know if Mrs. Rebecca Cook is still in the room. She is the wife, I understand, of a pilot. And Captain you can start and when she comes in we will ask her to come up and sit at the table.

She does not have a prepared statement. Mrs. Cook, we are inviting you to come in and sit in with Captain Maher here.

Mrs. COOK. Thank you very much.

Mr. DYSON. He is going to offer his testimony and then we will ask you to stay for a minute or two if you will do so.

Mrs. COOK. Sure.

Mr. DYSON. Captain?

STATEMENT OF CAPTAIN MAHER

Captain MAHER. Mr. Chairman, we thank you very much for this opportunity to be here today. My name is John Maher and I am Branch Agent of the Panama Canal Pilots Branch.

As such, I live in Balboa, Panama, and I am employed by the Panama Canal Commission as a pilot. I have been in Panama a little over 20 years now.

At this time, I would like to go back just a brief period of perhaps 10 years. I would like to read you a brief situation, political situation analysis of Panama at that time.

Last August, members of the National Assembly were elected and vigorously contested in general fair elections according to outside observers.

It, in turn, elected President Royo last October. The extraordinary constitutional flowers exercised by Trujillos were allowed to lapse.

Constitutional reforms have been adopted provide for political parties are free to and do actively engage in political activities, many in opposition to the Government.

Thus, censorship has been lifted and the Government is frequently capsized in the media. Torture is not a policy of the Government and no incidents reported in 1978.

All exiles have been allowed to return and most of them have. The Government is firmly committed to the free enterprise system.

This is dated May 23, 1979. Perhaps some of you may remember this particular analysis. It has certainly played a part in the Treaty debates that were involved at that time.

The reason I am bringing this paper forward is because these conditions no longer exist in Panama. I think it is appropriate to ask the question as to why they no longer do exist in Panama.

In our view, one of the things that happened, of course, is that Noriega has armed his PDF forces to such an extent that he has taken total control of the country and its citizens.

This perhaps has been under somewhat of a guise of defense of the Treaty, of the defense of the Canal. What I would like to speak about now is perhaps what is the interpretation of the defense of the Canal.

Some people may have the impression that the Canal was defended by soldiers standing at the perimeters with rifles, bayonets, and rubber hoses.

In reality, if you want to keep intruders out of any such area, you have a fence and perhaps some type of a protective force of security guards.

The defense of the Panama Canal, is such, lies in the heart of this working force. The Canal is protected by a dedicated and totally loyal group of Panamanians and Americans.

And, unfortunately, the sanctions that have been applied are the very essence of working in the opposite direction of this loyalty.

This loyalty must be recognized for any successful continuation of a foreign policy in Panama. The special relationship between the citizens of Panama and United States, and even more so, the special relationship between the work force at the Panama Canal and the Panama Canal Commission and the U.S. Government.

In essence, the threat to the Panama Canal, if there should be such a threat, would be internal, in the area of internal sabotage.

And if Noriega was successful in any way of having his red shirts penetrate the Canal organization, I think that would be the name of the game, internal sabotage.

We must do something to recognize this special relationship. The Congressional Committee that was recently in Panama to observe the elections, in their parting statement and in their final paragraph, God Bless them, where somehow were able to pick up on that special relationship and they made a accurate and totally truthful observation of that relationship.

This is what I came here today to say. Thank you.

[The statement of Captain Maher can be found at end of hearing.]

Mr. DYSON. Thank you very much, Captain. Your statement will be placed in the record fully as if you delivered it. We very much appreciate your testimony.

If any of the Members have questions. We will ask Mrs. Cook if she—Captain, you stay right there—ask Mrs. Cook if she would like to say a word or two.

I understand you are from Houston and I understand also that your husband is a pilot I believe.

Mrs. COOK. That is correct.

Mr. DYSON. As they say in show business, you are on.

Mrs. COOK. Thank you very much. I appreciate you allowing me the time to speak to you today.

Mr. DYSON. Could you just take that microphone and pull it closer to you. It would help us all.

Mrs. COOK. Surely. Is that better.

Mr. DYSON. A little bit.

Mrs. COOK. I came basically to answer your questions. I do not have a prepared statement. The concerns of the community involve what has already been related to you.

The relocation plan, an adequate dollar amount to help these people reestablish themselves in the United States. Most of them do not own property here. Most of them have children, they have spouses who have not been in the work force for many years and therefore would not be employable.

Also, the commissary and exchange privileges which were so important last year, have really taken a back seat to the relocation plan. People are ready to leave. They do not want to play anymore.

Mr. DYSON. Congressman Fields would like to ask a few questions, Mrs. Cook.

Mr. FIELDS. Mr. Chairman, I appreciate you allowing me to go out of turn. I have got to catch a plan in a few minutes so I am going to have to leave.

Mrs. Cook, I wanted to ask you, we have talked about PX and commissary privileges being extended to people like yourself during this crisis. How important is this to you and your friends and neighbors?

Mrs. COOK. Well, as I just said, it is really taking a back seat to the relocation plan. Last year when I came before you that was the major emphasis on the obtainability of goods and services safely without having to travel down into the City during the crisis at that point.

Now the emphasis is on the relocation plan. The administration of the Panama Canal Commission has basically deemed, in a meeting on Friday, that there is no crisis.

That it is safe for the people to travel into town, that there is no problem getting to and from an airport to leave, which is 30 miles from their homes.

This, we do not feel, is a realistic assessment of the situation. And people would like to get out, but they would like enough money to make it feasible for them to get out.

You do not have people who make exurbanite funds of money and they are not accustomed to a plush lifestyle. It is basically a middle class society.

These people do not have homes, for the most part, in the States.

Mr. FIELDS. Well, is there a morale problem because the Panama Canal Commission has changed the relocation assistance?

There have been several different plans that have presented, withdrawn, modified.

Mrs. COOK. People are very discouraged. The plan has been presented in such an erratic fashion. It has been presented and denied and presented again twice.

That there is not a great deal of confidence in the Commission at this point to define a plan and stick to it. Things change on a daily basis.

Mr. FIELDS. For those who opt not to relocate, who decide to stay in Panama, from what you are saying, you think there is a crisis and that people are in jeopardy when they go downtown.

And I want to come back to this about the commissary and the PX. Do you think that it is necessary for the people who do decide to stay?

Mrs. COOK. For the people who decide to stay, I think it is definitely necessary, yes.

Mr. FIELDS. Is it necessary because there are things that you cannot purchase or is it a safety concern or is it a combination of the two?

Mrs. COOK. The access to the military shoppettes has been a great help. That has alleviated a lot of the pressure. It has alleviated a lot of the travel into the City by people who need simple things.

It does not satisfy the basic needs of a family. There are things that you cannot get in——

Mr. FIELDS. Such as?

Mrs. COOK. Meat. We cannot buy meat. They sell a limited amount of chicken, they sell a limited number to TV type dinners. And that is really the extent of it.

It is basically designed to satisfy the needs of people who are in the country with the military on limited duty. A lot of meals in a can and that sort of thing.

It is not the kind of diet that is nutritional.

Mr. FIELDS. But they do not sell things like clothes and, automobile supplies, and other things?

Mrs. COOK. Absolutely not.

Mr. FIELDS. Is there anything you want to say to the State Department who is sitting right behind you?

Mrs. COOK. I am very glad that they decided that they could attend this meeting. I feel that it is unfortunate that they have a limited view of life in Panama.

And that they cannot be a little more open minded. I would ask them to allow——

Mr. FIELDS. Well turn around. You can do it right now to Mr. Kozak. I want you to make a direct appeal for your people.

[Laughter.]

Mrs. COOK. I would like for them to allow us access into the military retail facilities. We have been told that they are protecting us from the Panama Defense Forces by keeping us out of those facilities due to threats made by the Panamanian Defense Forces.

The PDF made those same threats last year when we were accessing the shoppette initially. The people who accessed the shoppettes out numbered the people who were actually stopped.

Three people were stopped. One person had goods confiscated and one person was fined. I would rather take my chances with the PDF than be denied access and have to go into the City and face something unknown.

Mr. DYSON. Congressman Fields has to leave. We are going to do something that is a little out of the ordinary here. We are going to ask if the State Department will respond.

He does have a question for them. I know this is out of our order. The other people will be given their time, but the Ranking Minority Member, Mr. Fields, would like to do that and that is acceptable to me.

Mr. FIELDS. No, Mrs. Cook, I want you to stay there. I want him to tell you directly why our Government is not allowing people like yourself to go to our commissaries and PXs.

Because I was exercised about that last year. I am still exercised. I have never been given a good explanation and I want you to give me that good explanation now, along with Mrs. Cook.

Mr. KOZAK. Okay, Mr. Fields. I think we went through this once before in a hearing last year, but I will make another attempt.

Mr. FIELDS. We also went through it in a meeting in Billy Tauzin's office. And I was as angry then as I am now. I do not understand. Our emphasis should be on protecting American citizens and making American citizens lives as easy as possible.

And it really is beyond me as to why we are not willing to stand behind our citizens and be with those citizens. I have yet to hear a good explanation.

Last year, in this hearing, in Billy Tauzin's office, you were nice to come by Chairman Dyson's office, but I have yet to have an explanation that is understandable to me.

Mr. KOZAK. At first, let me say I am not going to start to hit on other agencies. But you are not dealing only with the State Department on an issue like this.

It involves a number of different agencies and what you have coming out is an administration policy, not a State Department policy.

The constraints that we face in this area are on the Treaty. It said, after 5 years Panama Canal employees no longer would have commissary privileges.

I think you can debate whether that is a wise decision in the Treaty, but it is there. The way that was dealt with in the case of the shoppettes—which the State Department did support, because it was at the time when the shops were shut down and they did not have any place to be able to buy food—was that President Delvalle's Government agreed to an exception to that prohibition for that purpose.

Now I know that there were discussions, and they occurred when I was out of the country last year, of possibly broadening that.

Two aspects there. One, you have to have the agreement of the other Government. I think by the time this thing had percolated, the reports in from Panama were that the security situation and the availability of food situation had approved.

Mr. FIELDS. We have different understandings. Because I stood right here with Billy Tauzin, talking with Ambassador Sousa, and you can check with Mr. Tauzin to see if his understanding is consistent with mine.

But it was my understanding we had an agreement with Ambassador Sousa, that agreement was kicked up stairs to President Delvalle and it would have been a simple matter to allow our citizens to shop at commissaries and PXs.

It is my understanding that it is the State Department that came in and undid that agreement.

Mr. KOZAK. Well, as I say, Mr. Fields, I was not here for all the events last year. We went through a sort of blow-by-blow with members of your staff.

I am not sure we ever quite figured out the whole history of that discussion with the Panamanian Government. But there was the other aspect too of our ability to defend and protect the security of people when they are going and buying food.

So there are a number of aspects to it. And we never were able to reach a situation within the executive branch where the need was so compelling, at least based on the facts that were presented at the time that that decision was being looked at, to overcome some of the other factors that were in the way.

Times change. Things change.

Mr. FIELDS. That is disgusting. That is absolutely disgusting. Mrs. Cook, do you accept that explanation?

Mrs. COOK. No, not at all. There is no——

Mr. FIELDS. Would you take the microphone.

Mrs. COOK. Sure. There is no protection for me if I go shopping at a U.S. retail facility run by the U.S. military which is less than a block from where I live.

But there is no protection for me having to go 10, and 15, and 20 miles into Panama City either. I would rather take my chances at the U.S. military facility than have to drive 20 miles to get groceries and have to go through what we had to go through last year, which was unbelievable.

And possibly have to go through it again.

Let me take my chances with the PDF, please.

Mr. FIELDS. Mr. Chairman, I do not have any further questions.

Mr. DYSON. Mike, we are going to—I do not want you to leave. We have lots of people who would like to ask you a few questions. This panel, let me thank you again on behalf of this Subcommittee for coming here today and offering your testimony. It is very much appreciated.

If we could have the next panel come up.

We have Mr. Arthur Davis; and Mr. Willis Small, I believe he is here; Reuben Padmore, Mr. Karl Marohl. We want to welcome you here today.

Let me again emphasis to you, if you have a prepared statement, and I believe we do have some from some of you, this will be included in its entirety in the record so that there really is no necessity to read it.

What I would ask you to do is if there is anything you wish to highlight, this would be the time to do it.

Mr. Small, I understand that your car has been confiscated? I think I heard today that your kids have been thrown out of school because of the non-payment of the taxes?

Mr. SMALL. Mr. Chairman, my car has been confiscated, yes. My kids have not been thrown out of school yet because school is not open yet in Panama. They put it back one month more for school opening.

But it is possible that because of my educational tax which is part of the tax that is being withheld by the U.S. Government, not being paid into the Panamanian Government, they may decide that my kids are not eligible to go to school also.

Mr. DYSON. You are Mr. Davis, correct. I cannot see the sign in front of you.

Are you Mr. Davis?

Mr. DAVIS. Yes.

Mr. DYSON. Go ahead then. We are very glad to have you with us. Pull the microphone closer to you and take your name plate and just stick it out front there. Very good. Thank you very much. It does not take long to get these things straight.

Go ahead, Mr. Davis, and then Mr. Small, and then we will go from there.

STATEMENT OF A PANEL, CONSISTING OF MR. ARTHUR DAVIS, PRESIDENT, PANAMA AREA METAL TRADES COUNCIL; MR. WILLIS SMALL, JUNIOR, PRESIDENT, INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS; MR. REUBEN PADMORE, PRESIDENT, INTERNATIONAL BROTHERHOOD OF BOILERMAKERS, LODGE NUMBER 463; MR. KARL MAROHL, PRESIDENT, INTERNATIONAL UNION OF OPERATING ENGINEERS

STATEMENT OF MR. DAVIS

Mr. DAVIS. Mr. Chairman, my name is Arthur S. Davis. I am a member of Local 463 of the Boilermakers Union, AFL-CIO. I live in Panama and as employed as a planner/ estimator.

My job at the Canal involves working as planning and estimating work accomplished at the Industrial Division on P.C.C. equipment.

Today I would like to tell the Members of the Committee about some of the personal hardships that are the results of the present policies of the actions of the United States authorities in refusing to forward taxes withheld from my salary by the Commission to the Panamanian Government.

I do have a prepared statement, but I would like to highlight certain areas of it. I think of most importance is the immediate affects that this action have on the work force and it can be noted in the long run problem that the Canal administration is now facing.

The general feelings is that the Panama Canal Commission and the United States Government are only concerned with the U.S. citizens.

Some examples of the complaints we here in the fields are: One, a complete disregard by the Panama Canal Commission and the U.S. Government for the welfare of the Panamanian employees and their families.

Two, a complete disregard for the safety of Panamanian employees to and from work.

Three, emotional unbalance caused by the extreme tense and the present situation.

Four, complaints on the continuous disparity, along with those already existed, displayed by the U.S. Government and the Panama Canal during this period.

Some examples are: Shoppette privilege for the U.S. citizen versus food boxes for Panamanian citizens. And the food boxes to the Panamanian citizens were discontinued.

B. A contingency evacuation for U.S., third country nationals and their family with per diem. We have a quoted rate here at $69. Mr. Rhode's quoted $66 and we are just told that it has been dropped to $16 per day per family members versus no contingency plans for Panamanians.

C. Apartments with various cots or sleeping in a gym for Panamanians versus U.S. going to their residence.

D. Facilities in Canal Area for U.S. citizens to obtain their paz y salvos, which is their tax clearance certificate, versus busing Panamanians to and from work.

It should be noted that it is not our intention to eliminate the benefits given to the U.S. citizens. But we are only requesting that

all members and that all the benefits distributed be done in a fair and equitable manner.

In addition, during the time of political unrest, the Panamanian workers are not able to attend work because of the lack of personal transportation and concern for the safety of their families which has repercussions on their attendance and pay.

It is also important that I bring to your attention the long term effects on the Canal Commission's ability to ensure uninterrupted service to all vessels seeking access to the Canal, and this can be seen in this manner.

Since the beginning of the crisis, shipping has dropped and revenues have declined. This, along with the revolving fund adopted by P.C.C. and the budgetary restraint, have affected the temporary employment throughout the Commission.

If with the current crisis, low morale and discontent continue, we are going to see and exodus of full time permanent employees. Based on the man years of on-the-job-training complied by these employees, it would be hard to replace them immediately.

Added to the above problem is the fact that many skilled and semi-skilled personnel are now leaving the country due to high employment.

Prior to the crisis, many of these people found temporary employment with the Commission. By employing these people, the Commission provided on-the-job-training and was well on the way to having people available with experience and skills on their employment register ready to work.

A specific area of concern that we have in the Commission is its plan to contract out the overhaul of tugboats.

This planned called for the work to be accomplished in the U.S. This project and others of this nature would assist in reflecting further damage to the economy.

We feel that every effort should be taken by the U.S. Government to ensure that the employees of the Commission be granted safe and secure employment with the Canal.

Thank you.

[The statement of Mr. Davis can be found at end of hearing.]

Mr. DYSON. Thank you very much. I think we are going to have Mr. Small over his testimony next. Again, as I said, if you would like, you know we can place your testimony in the record as you have presented it to us, and so you can just highlight some of the points in that testimony.

STATEMENT OF MR. SMALL

Mr. SMALL. Mr. Chairman, and Members of this Committee, on behalf of myself and the Machinist that work in the Panama Canal Commission, we appreciate this opportunity to share with this Committee, some of the diverse effects with the forward of our taxes.

I have had a many personality. A lot of members of the Panamanian work force down there. As you can see in my statement, I did highlight some of the personal effects that has been exercised on me like the confiscation of my car, like the threatening phone calls to my wife and my kid.

Also the fact that my fellow Panamanians, because of the way the Government has portrayed this situation, it has put us in a position where we appear as traitors to the country because we are not paying our taxes.

Other Panamanian forces do not access the exact type of solution we are in are others misconceptions. So, therefore, that projects also our situation a lot more delicate where we are concerned as Panamanians.

Also I am overwhelmed by the concern for this Committee and the distinguished Senators about the welfare of the U.S. community that works down there.

And that is commendable because Government's are supposed to look out for their people.

We would like if a bit more concern is displayed here on behalf of the Panamanian work force, because we are not only subject to not only being hindered to get goods for our family also when we can.

We live there so we have to face these obstacles, these blockades, and all these other conditions daily, on a daily basis going to and from.

The Commission do provide buses from a certain location downtown to the job site. And they drop you there at midnight or 2:00 o'clock in the night, the way you get home is your problem.

We have employees who live 20 and 30 miles from the site we are dropped off at night. These employees are subject to all kind of abuse not only from the military forces down there, from other citizens of the community that has these hard feelings against them.

We would like that to be considered also. Based on this and all the other issues that we have to go through, we would like the to comment to this Committee that the portion of taxes that are being withheld in the escrow, in that fund, that portion of that be redeemed, be reverted to employees.

And that the employees make the decision whether they want to pay their taxes to the Panamanian Government or not and not the U.S. Government to make that decision.

We feel that this will, in some case or most cases, help us in some way to relieve the tension and relieve the pressure that the Panamanian Government is using on us in order to pressure the U.S. Government in releasing the rest of the money.

Thank you.

[The statement of Mr. Small can be found at end of hearing.]

Mr. DYSON. Thank you very much.

Mr. Marohl.

Mr. MAROHL. Let Mr. Padmore go first.

Mr. DYSON. Oh, okay.

Mr. PADMORE. Thank you, Mr. Chairman.

Mr. DYSON. We run this Committee. We will do it any way you ask.

[Laughter.]

Mr. MAROHL. Thanks for being so cooperative.

Mr. DYSON. We are only trying to get you on.

[Laughter.]

STATEMENT OF MR. PADMORE

Mr. PADMORE. Mr. Chairman,——

Mr. DYSON. Yes. I guess you are loud enough.

Mr. PADMORE. I hope I am loud enough. We, the Panamanians, working on the Atlantic side of the Isthmus that have to commute everyday and pass all the different checkpoints that are setup throughout the country, would like for this Committee to do something for us. This time before it happens.

We seem to keep getting some type of a second rate action from the Commission such as we told them about the license plate that was going to be stopped that we were not going to be able to get it.

At the last minute, they present us with some buses that there is not enough. You have to trample over one another to get into it and you have to leave from your place of residence and reach the pickup point, which at the time of the morning or late hours of the night, there is no transportation.

And the cab fare that they give $7 does not really amount to the amount you have to endure.

Therefore now, the one thing we are asking is for action to be taken now before they stop our children from going to school.

Now, something to be done. The rest we can look at it as water under the bridge. But the tax for the schooling, that is yet to come.

I would like you to do something before that happens.

Thank you, sir.

[The statement of Mr. Padmore can be found at end of hearing.]

Mr. DYSON. Thank you very much.

You are on.

STATEMENT OF MR. MAROHL

Mr. MAROHL. I am Karl Marohl, Junior, a member of the Local 595, International Union of Operating Engineers, AFL-CIO. I live in Gamboa. I am employed as the Master above the U.S. Hercules on the Canal.

I would like to speak to some of the real genuine problems that have been caused by the working people in Panama due to the sanctions imposed upon the Government of Panama.

My brothers have quite efficiently explained how our Panamanian members have been hurt. Another example of the anguish was what happened to one of my members.

He is a Panamanian, he is married to a third country national. In the process of obtaining her permanent documents to stay in the country, when the time came to do the final paperwork, he was asked for his paz y salvo.

Not able to get one, he explained to them the problem and they told him, "Well that is just too bad. You have no paz y salvo she gets no papers."

The end result is his wife gets deported from the country. So here is a man who has been trained by the Panama Canal Commission, worked faithfully for the Panama Canal Commission who is being told his wife and his children, because they are going to go with the mother, have to leave the country.

Being one of the few Americans who qualified for the relocation package, luckily my family, my older teenage children did come up under it.

But this guy here is being offered nothing. He has been told, "Well, that was for Americans under certain rules," and a bunch of red tape that is pretty hard for him to digest; and I do not blame him.

While the Panamanians bear the immediate brunt of the repercussions, there are serious adverse effects to the United States employees also.

We are repeatedly told that the incidents of harassment are isolated incidents. Well, seeing as two of them have happened to me where I have been in life-threatening situations, I am hard pressed to be convinced it is isolated.

If two can happen to one person, I think it gets beyond isolation. I attached in my statement, a copy of the incident, the most notorious incident I was involved in where I was beaten, mentally tortured, and threatened for a number of hours. Released because I was lucky enough that somebody saw us get thrown in the slammer.

And, for 2 months, I lived wondering whether or not I was going to jail for 20 years or not. In Panama it is Roman law, you are guilty until you prove yourself innocent.

Somehow I had to prove myself innocent of a totally fabricated charge that just in the concept, scared the hell out of me.

Luckily I did get out. As you can see, I am here. I was absolved of all the accusations, found innocent, and nobody knows to date why I was arrested to begin with.

Anyway——

Mr. DYSON. May I interrupt you there and ask you what was the charge?

Mr. MAROHL. Attention Contra la Segauidad de Estado, attempts against the security of the State. Basically, I went up there to buy rice and beans to give to the church to donate to the poor on the soup kitchen that were setup in the poor communities.

Unfortunately, we stick out lick a sore thumb in Panama. The State Department says, "Well, it is safe to go down there. There are no road blocks today," and this and that.

And while some days there are not and some days there are, it is pretty tough to convince yourself it is safe to go down there.

If you have not noticed, we kind of stick out a little bit. We do not quite blend into the background. We are a little different.

So anytime we go down there, they notice exactly who we are. And if there is anybody out there with some hard feelings, we are the immediate brunt of it.

The problem we got is the United States Government takes sanctions against the Panamanian Government. In the intern, the Panamanian employees get hurt. And the Panamanian Government does not like that.

The Panamanian Government takes reprisals against the U.S. Government, but they cannot do that so the Panamanian employees get hurt and us Americans there get hurt.

Now, the Commission does what they have been allowed to do within the parameters of the State Department guidelines, I am told.

But that can only help the U.S. citizens because the rules are only written in a certain way. More red tape and gobbledygook.

So what you have created is a situation where good friends and co-workers working side by side as friends for years are now looking at each other differently.

"Why do you get the benefits and I do not. Am I not doing the same thing you are?" The answer is, yes, they are. And there is something wrong with the situation. Something has to be done.

Well, to make matters worse, now the military and the DOD dependents have been evacuated from the city. The United States Panama Canal Commission employees are forced to go into the City to shop for food and basic needs.

I would like to point out again, we do stick out like a sore thumb. The military is supposed to be there to defend the Canal and its employees.

What we would like to know is when? Additional troops were sent to Panama but they are all inside the forts with all the other soldiers that are there to protect us.

It seems strange to me that they are all hidden behind the walls while we, who they are there to protect, are kept outside.

What we would like to know is what is really going on. It does not make any sense to us. And what we really would like to see this Committee do is to do something to get the monkey off our back.

The situation was created up here by Washington, D.C., people and I am not sure who, but we do know that they put the monkey on our back and we would like it off.

Thank you.

[The statement of Mr. Marohl can be found at end of hearing.]

Mr. DYSON. Thank you very much, Mr. Marohl. My colleague, Mrs. Bentley, was showing me your last two questions and I do not know whether you meant them seriously or rhetorically.

I have decided I am going to ask the State Department your questions in just a few minutes.

Before you all go though, let me ask one question. It was my understanding the bus service was 24 hours. Is that not the case?

Mr. SMALL. It started out at 24 hours a day. Then they cut back on it. They have the bus service at peak times now only.

Mr. DYSON. At peak times?

Mr. SMALL. Yes, sometimes. It is not dependable, it is not adequate, it is not commendable. It is not something that—we take it because there is nothing better. It is better taking that bus than trying to get another bus to take me to work.

Mr. DYSON. Why is it not adequate? My God, we are paying $13,000 a day for it?

Mr. MAROHL. Who is getting the money?

Mr. SMALL. We asked the same question also. If you are paying that much money, why is not the bus adequate? We asked the same question but we cannot get an answer.

Mr. DYSON. Okay, let me ask you something. You know, our situation here is we want to see the Canal operate safely, efficiently. We want to see it operate.

Now, if the Commission is contracting out, and I do not know who you would contract out with, but they are obviously paying a considerable amount for the buses, the taxis, as I said in my opening statement, about $540,000 a month. That is a lot of money. That is a damn nice bus service in Maryland.

Mr. MAROHL. You are getting ripped off.

Mr. DYSON. So you are saying to me, that it is not adequate? I did not hear you say this. Actually I heard your colleague next to you say that there were times of the day when it was not available at all? Did you say that?

Mr. PADMORE. That is correct.

Mr. DYSON. That is true?

Mr. PADMORE. Right.

Mr. DYSON. Your car has been confiscated, it is my understanding?

Mr. SMALL. No, my car has been confiscated.

Mr. DYSON. Your car, I am sorry. Okay. You all jumped all around and I am trying to—Your car has been confiscated. So then how do you get—are you on the Atlantic side?

Mr. SMALL. No, I work on the Pacific side, fortunately for me. I have to take a local bus to the pickup point.

Mr. DYSON. The local bus is the non-Commission bus, right?

Mr. SMALL. Non-Commission bus to the pickup point where I get the Commission bus to go to work. So when I get off at 12:00 o'clock at night because I do work the midnight shift, when I get off at 12:00 at night, the Commission bus drop me back off at the pickup point.

How do I get from there back to my home that is my business. Sometimes there is no transportation.

Mr. DYSON. Well, it is your business. Tell me about your business. How do you do it?

Mr. SMALL. Sometime I have to walk it because there is no bus. Sometime I am lucky to get a cab to take me there.

But during the hours of question, there is nobody in the street except the military forces and all these road blocks and checkpoints. We walk usually.

Mr. DYSON. Who owns this bus service?

Mr. SMALL. I have to go back to Panama and live you know.

Mr. MAROHL. I will answer that. Basically they are private base companies. In the Republic of Panama it appears that most of the bus companies are owned by the officers of the PDF.

Mr. DYSON. Let me ask if any of our Committee Members have any questions.

Mr. Goss. I just have one that occurred to me. I appreciate very much your being here and your testimony. And I wondered how you got here. How did you get out of the country?

Maybe you do not want to answer. And if it is an embarrassing question——

Mr. SMALL. Can we invoke the 5th Amendment here?

Mr. Goss. I do not want to press for it.

Mr. SMALL. There was a meeting about 10 months ago with the Minister of Finance in the Panama. There was an agreement worked out that any Federal employee, any Commission employee or Army employee that is going in training or any employee or relative that has a health problem.

In this special situation only, the Minister of Finance will grant a paz y salvo to exit. We fit in that category more or less. We call it straining.

Mr. Goss. I hope you are feeling better soon. I am pleased to see you here. Thank you.

[Laughter.]

Mr. DYSON. Gentlemen, let me thank you all for being here today. And, again, I know some of you came here to offer testimony here today at some risk.

This Subcommittee is greatly indebted to you for what you are doing to help your colleagues and the people you represent in your unions.

God Bless you and we hope that things do get better.

Mr. MAROHL. Thank you.

Mr. SMALL. Thank you, Mr. Chairman.

Mr. DYSON. We have two more panels. What I am going to do at this point is to ask those two panels to come together. Mr. Robert Page, who is Assistant Secretary of the Army for Civil Works is not able to be with us today.

He did talk to me some time ago to tell me that he was not going to be able to be here. And we did have a statement. In part of that statement, I think the last paragraph, he indicated that he did want to state, his appreciation for the tremendous efforts that have been made by the Panama Canal employees.

I think that that ought to be given special note that his statement will also be placed in the record. But I would like that to happen.

So if we could have now the Honorable Michael Kozak, who is the Acting Assistant Secretary of State for Inter-American Affairs. Mike, you better get in the middle. I think we are going to have a lot of questions for you.

The Honorable Richard C. Brown is the Deputy Assistant Secretary of Defense for Inter-American Affairs, and Major General Eugene Fischer who is Deputy Commander in Chief for the U.S. Southern Command.

Gentlemen, come forth and sit down. Again, let me say to you that your printed testimony that you have sent in will be a part of the record. We will place it in and I would like your comments to be highlights of that testimony.

Mike Rhode, if he would like to sit up there with them. Not in front of a microphone, but in one of the other seats there.

Mike, you are on.

STATEMENTS OF A PANEL, CONSISTING OF THE HONORABLE MICHAEL G. KOZAK, ACTING ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS; THE HONORABLE RICHARD C. BROWN, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR INTER-AMERICAN AFFAIRS; AND MAJOR GENERAL EUGENE FISCHER, DEPUTY COMMANDER IN CHIEF, U.S. SOUTHERN COMMAND

STATEMENT OF MR. KOZAK

Mr. KOZAK. Okay, Mr. Chairman. I will, as you suggest, submit my prepared statement for the record. And I think everybody is pretty well aware of the events of the last couple of weeks.

We have seen the effort by General Noriega to steal the May 7 election through fraud, which largely consisted of multiple voting by his military officers and supporters.

He got tripped up on that one, as best we can tell, because most of his own people voted many times for the opposition as opposed to many times for his own slate.

Then there was the effort to nullify the election, the very violent suppression of peaceful demonstrations by the opposition, and the consequence of that. We have all seen the pictures on television.

The President announced a series of steps that the United States was taking in response to that activity. And I think, again, you heard the President's conference.

But one of the first steps he noted was that we would be participating in a regional diplomatic effort to try to bring about a solution in Panama.

And the most recent event is what occurred last night at the Organization of American States. We had the countries of the hemisphere, the foreign ministers.

The very fact that they were meeting was an extraordinary event. This is the first foreign ministers meeting in 7 years in the OAS, the first meeting raised to that level.

They passed a——

Mr. DYSON. Can I interrupt you there?

Mr. KOZAK. Yes, sir.

Mr. DYSON. I heard on national public radio, and my God, tell me this is not true. But I heard on national public radio last night that one of the reasons everyone was getting together was because no one has paid their debts to the OAS.

And, in fact, they cannot support the employees past the month of June. And one of the situations is that the United States is now going to pay off that debt.

God, are we trying to buy something else?

Mr. KOZAK. Mr. Chairman, this is a nice feedback of General Noriega's propaganda. That is the front page in Critica, his newspaper.

It is true that the U.S.——

Mr. DYSON. Sometimes propaganda is not untrue. I mean, are we paying?

Mr. KOZAK. Yes, but not in connection with this meeting. Due to Gramm-Rudman cuts over the last couple of years, we—as many other countries in the region—have been arrears in payments to the OAS.

And they do have a financial difficulty. The administration had already, I think starting last year when we started putting our budget submissions together, come in with a bill for full funding of our OAS contribution.

So it is a little hard to say. It is something we all had done months before. It was not a payoff for action here the other day.

It is not the organization itself that takes these decisions, it is the other countries. It is the foreign minister of each of these countries.

And the idea that we somehow bought the entire hemisphere is preposterous. What bought the entire hemisphere was Noriega's behavior—the pictures of his boys beating up the opposition candidates in a peaceful demonstration.

I do not think that did much to burnish his image with the other countries in the region. And I think that, plus the way he treated the electoral effort before that, galvanized a lot of attention within the hemisphere and made them realize that they needed to face up to this problem.

The resolution they passed last night explicitly condemns the abuses committed by Noriega in respect of the election, in respect of human rights and civil rights violations.

It established a team of three foreign ministers that are supposed to be leaving urgently to Panama with a mission of bringing about a transfer of power.

And the meeting of foreign ministers gave this mission 15 days to go do its job and report back.

So it is a pretty strong resolution. Now writing on a piece of paper is one thing, action is another. But we have seen really tremendous support there within the hemisphere involving recognition of the threat the situation in Panama creates. And so we are going to work with them. But, in addition, as the President said, we were taking other steps, both to further the effort to support democracy in Panama and also to put ourselves in a better posture to defend our people, to protect our people down there, to be in a position to enforce our Treaty rights. We want not to let our treaty rights to be constrained by the kinds of counter-pressures that we have been facing there— some of which you have heard today—but to be in a position where we can actually exercise the significant rights we have under the Treaty.

In order to manifest some of this, we are drawing down our embassy. Our Ambassador has been recalled to make clear that there is going to be no normalization until Noriega is gone and a democratic government is in place.

The dependents, all the off post dependents, are being pulled back to bases or to Panama Canal housing areas or back to the States. I went out and met the first load of State Department dependents coming back the other day, along with the Ambassador.

We are cutting our embassy staff down to skeleton crew, just to do essential functions.

I might say I have a great deal of sympathy for the kind of problems that are being faced by both the U.S. citizen and Panamanian employees of the Canal, because they are very parallel to the ones that are being faced by our embassy personnel.

Our people have had their names, addresses, apartment numbers, and childrens schools published in the newspapers with urgings for the dignity battalions and others to take action to defend sovereignty or some damn thing.

They have had death threats spray painted on their doors at night and that sort of thing. And our people are going around without licenses, without vehicles. We are having to provide alternative transportation, too. So I want to make clear the idea that somehow the State Department is exempt from this kind of thing is wrong.

Our people are feeling the same thing that our colleagues in the Canal Commission, both Panamanian and U.S. are experiencing.

So we know how tough it is, and we are trying to take some of these steps the President has decided on to at least get the situation in a posture where we are able to act more vigorously with respect to our Treaty rights.

One final point I would make before we get into questioning is sort of an update on the situation. We are going to be supporting this OAS effort by continuing to implement the measures that the President established a week or so ago to put us in a better posture down there.

One idea included in those measures was a continuation of the economic sanctions. But the idea that this problem was created in Washington is a wrong idea. The problem was created by Noriega. Actions were taken in Washington which have had consequences for all of our people down there.

We know it is tough on them. And we know we need to find ways to put them in a better position to resist this.

But one of the ways not to do that, in the judgment of the administration— because this issue has been very thoroughly vetted inside—is to relent and say: "Okay, we will pay this tax, or we will pay that money."

That is exactly what he is trying to do. As some of the people pointed out, he is trying to get at the U.S. Government through our employees and by putting pressure on them.

If you give into that, it is an encouragement to do more of the same until we have given in on every subject. As you indicated, Mr. Chairman, I do not think the Congress is about to give in. I know the President is not about to give in. He has made it very clear there will be no normalization, no accommodation with any Noriega-dominated regime.

And, so we have to find ways to increase our ability to protect our people and to reduce their vulnerabilities. The way to do it is not by giving in to this kind of blackmail. It only will make matters worse.

I think with that I will hold off, maybe let my colleagues make some statements, as you desire, and be open for questions.

[The statement of Mr. Kozak can be found at end of hearing.]

Mr. DYSON. Let me ask you some questions first before the other two people speak. And I know my other colleagues here would like to do the same thing.

I think I heard you say, you know, that the role there is to enforce our Treaty rights, and, you know, here here to that.

In fact, I think if my colleague from Texas, Mr. Fields was still here, he would say you are going to great length to do that, and you are not bending at all, and you are not flexible at all.

I think that is a little frustrating for us. I am a little disappointed that you come here and basically tell us what the President has done.

I do not know if you realize, but in our packets up here, we have all that. We have the documents that have been sent to us and God knows if you listen to the news every night, we more than know what is happening, you know, vis-a-vis the administration's position.

What disturbs me though is that the State Department is treating its employees differently. Now I have been told, I have been informed that the employees taxes are not under the withholding.

And I heard individuals say that today. One of our earlier group. Now, no one here wants to do anything that is going to encourage Manuel Noriega to try to, you know, undermine the morale of the employees and everything else.

But, you know, if the Department, the State Department employees are treated differently than the Canal Commissions employees, that alone undermines the morale.

And it was stated here, our staff knows about that. I mean, what gives? You are bending the rules and I do not think that is fair. And that is where you are going to have a problem. That is why some of these people are here.

If you have anything to say I will listen.

Mr. KOZAK. Yes, I sure do. With respect to some of the types of taxes under Panamanian law, that is correct. And it is correct because under the Treaty, we are required to withhold—the Canal Commission and DOD are required to withhold taxes from employees and pay it over to the Panamanian Government. The same is true of U.S. businesses. But under Panamanian law, foreign embassies do not do that, so we have never had the situation of the embassy withholding those types of taxes and turning them over to the Government.

They have always been paid directly.

Mr. DYSON. Is that not just a convenient way to look at it?

Mr. KOZAK. It is not a convenient way, Mr. Chairman. That is the way it is. Now the thing cuts the other way, too. I was talking about our American employees when I was talking about the threats they have been under.

Those guys have no protections. The P.C.C. employees and the DOD employees have travel documentation that they get under the Treaties, they have the Treaty liaison office that can go in and protect their rights, or do the best they can to protect their rights, if they get arrested or something.

Our people have zero at this point because of the nonrecognition of the regime. So that is an area were we are worse off.

I am not trying to say that the situations are identical for each of employees. Obviously, DOD has commissary privileges and——

Mr. DYSON. Are State Department employees being harassed like Commission employees are being harassed?

Mr. KOZAK. State Department employees——

Mr. DYSON. I do not believe that is true if you are going to tell me that they are.

Mr. KOZAK. I was just saying that they have had all their names, addresses put in the newspapers that they are identified as enemies of the people.

They have had death threats painted on their doors.

Mr. DYSON. Let me ask you, do they have commissary pass privileges?

Mr. KOZAK. Yes, they do.

Mr. DYSON. Canal Commission employees do not, correct?

Mr. KOZAK. That is correct.

Mr. DYSON. If I am not mistaken, last year, this Subcommittee which was chaired by our friend and colleague Mr. Tauzin of Louisiana and Mr. Fields of Texas, put in a bill jointly referred to this Committee and the House Armed Services Committee.

It passed through this House, I am informed. Which Department of our Government killed it in the Senate.

Mr. KOZAK. The administration. I frankly do not know. I assume the administration had something to say on it and it probably was in our position.

You have got different legal situations, Mr. Chairman.

Mr. DYSON. Let me ask you something. I do not want to help to help Noriega at all and neither does anybody else. Allowing people to use the commissary, certain groups, how is that?

I mean, I would think that would aide in pulling the rug out from Noriega.

Mr. KOZAK. Let's go through this again, Mr. Chairman. First you have to have an assessment from the agency whose employees are involved that it is necessary.

Then you have got to have the consent of the Panamanian Government. Then you have to have protection for the people when they are coming off the base with this stuff in the car.

And there are checkpoints out there. You have to have a decision to protect people from that.

Mr. DYSON. Well, I think we heard a witness today that said she would take the risks if she had the privilege to shop in that fashion.

Mr. KOZAK. If that were to occur, are you prepared to say: "Well, if she gets arrested then we should not do anything about it." I mean that is one of the things you have to make decisions on before you——

Mr. DYSON. Why do we not give it a chance and see if she does? I think Mr. Rhode said today that Mr. Page, who is, as of May 1st, Chairman of the Commission—because of his role as the Secretary of the Army for Civil Works—has made a request, I believe, that is going up the ladder to Secretary Cheney to allow U.S. employees to use the commissary.

What is your position going to be on that?

Mr. KOZAK. I have to wait and see the request, and we will have to have an inter-agency process. Then I will tell you what the administration's position is, as opposed to my position.

Mr. DYSON. Who will make that decision?

Mr. KOZAK. Probably the National Security Council. That is the way these things we have in the Government, all these decisions get made, through a series of meetings.

There is an inter-agency level body now called a P.C.C., Policy Coordinating Committee. This is the first level of the NSC system for coordinating amongst the different agencies.

It goes up to a Deputy's Committee, and, if necessary, up to the National Security Council, which is the President and his Senior Advisors.

Mr. DYSON. I will be very honest. I am going to stop and see if my colleague from Texas and then our colleague from Florida wishes to ask a question of you, Mr. Secretary.

But, you know, I am very disappointed. This Subcommittee has tried to be very accommodating to you. You asked me, when we had this hearing scheduled for about a month ago prior to the elections, to postpone the meeting.

We all got together in my office sometime after that, after we decided to postpone the hearing. The concern of the Ranking Minority Member and myself was for the Panama policy that the State Department was developing.

Our policy is not consistent right now. I was rather surprised to hear Mike Rhode state in his testimony that shippers using the Canal were also concerned now.

Nervousness, I think was the word he used about transiting the Canal. You know, that is our concern here, in this Subcommittee.

This country ought not be caught up in the middle of the political situation of Panama. But when the Panamanian crisis impacts the Canal, and that is all we have heard today, it's not much good news.

I have to be very honest with you. I do not have much faith in the State Department. I do not think there is much of a policy. And I am just gravely disappointed.

And I just wonder what is going to happen down the road if things do not break our way.

With that I will stop and I will ask my colleague from Texas if he would like to speak?

Mr. LAUGHLIN. Mr. Kozak and General Fischer, 25 years ago I was commissioned a second lieutenant in the United States Army. And since that time I have proudly worn the uniform of our nation.

And I was learned and felt through the wearing of that uniform that the purpose of the Defense Department was to defend American lives whether they were here in America or in some other land.

Especially in countries where we had Americans living and working, carrying out the national policy. And I am concerned today that it sounds like from Americans who are living in Panama, they have come to our capitol to testify that it is the policy of the State Department and the Defense Department either not to cooperate with each other or not to look out for the welfare of the Americans in those lands.

And I am particularly offended as one who has shopped in the PXs over the years that Americans cannot go into a PX in a country where it is our national policy to disrupt and to not make pay-

ments that are in fact creating problems for our American citizens and workers in Panama.

I just wondered what your reaction is to the perception in this Committee and perception among other Americans that we are not doing a very good job.

Because it seems to me that we are not keeping our primary mission in mind if we are not protecting American lives from a death threat, from harassment when we do not even let them go in the grocery store.

Either of you gentlemen. I would be happy to hear from either or both.

Mr. KOZAK. Well, I think maybe I can lead off and have General Fischer and Richard Brown follow up. But I think you heard the President the other night.

With due respect, Mr. Chairman, there is a policy. The President of the United States decides it, he stated it, and I am sorry if I am being repetitive about it, but that is where he came out.

A very strong part of that policy, Mr. Laughlin, was he said we are going to protect American lives. And we are taking measures to do that. Deploying more troops down there for that purpose. And we are taking these measures to reduce our vulnerabilities which have constrained our abilities to exercise our Treaty rights.

When you have people spread out all over the place, it is very difficult for our Armed Forces to deal with the situation without running the risk of another one being created elsewhere.

So I think you see a number of steps that are putting us in a much better posture to do precisely what you have indicated.

The President certainly made it clear that that is what he means to do.

Mr. LAUGHLIN. Well, I do not doubt the President. What I am doubting is the policy between the agencies. The Congress folk last year, and at least someone in one of your agencies put a stop to allowing American citizens to go buy groceries at a place where it is safer and easier for them to do that.

General FISCHER. Sir, I can only respond to what, in fact, we did and that was to open up the shoppettes, restock them differently than normal shoppettes so as to put in the staples that were needed.

And, in fact, we are still increasing items even today as we are now putting in a full line of meats. So most of the things that one would need in terms of PX or commissary items were, in fact, put in the shoppette so that there would be no need to be exposed to the dangers of going downtown shopping.

Mr. LAUGHLIN. General, have you been in the PX or the commissary in Panama to compare those products with what is in the shoppette?

General FISCHER. Of course I have. Often.

Mr. LAUGHLIN. And you are satisfied?

General FISCHER. Sure I am.

Mr. LAUGHLIN. That there is the same food products ——

General FISCHER. No, it is not the same food products. Remember the shoppettes were asked for as a temporary measure to get people through this crisis, and that is what we did. We stocked them differently as a temporary measure to cope with the crisis.

And we, as the time has passed, keep adding more things that the customers may need.

Mr. LAUGHLIN. Well, the concern I have is we are trying to the best of our ability to live up to a Treaty. I believe Mr. Kozak used the term "with a legitimate Government".

And it looks to me like we are taking the side of the illegitimate Government of Noriega instead of the sides of Americans on this issue.

Mr. KOZAK. I guess I will go back again, Mr. Laughlin. The best I can try on this thing to say the people on the ground indicated there was a certain need.

And it was determined up here or determined in consultation with the people on the ground that that need could be met through the shoppettes.

And as General Fischer has explained, that was expanded, that was done. It is a balance between taking that kind of step which meets the immediate need for food and so on of people when they are unable to get to stores, and going beyond and saying, "Okay, full time commissary privileges," which not only presents the problem of getting consent of the other Government, the legitimate Government, but also the problem of then defending against the actions, reactions of the illegitimate Government.

But you also are handing Noriega a gift with anything that you do that plays around with the Treaty. You are handing him the one issue he gets anywhere on.

I think as Mike Rhode indicated that that has been his theme—that this whole dispute is because the United States is trying to take back the Canal Treaties.

And you know as well as I do that that is a bunch of bunk. But he has been trying to peddle that line. And it is the one thing he gets anywhere on.

We, I think, have done very well both with the Panamanian people, and with the other people in this region, in being able to say that is not what the United States is about here.

We are about trying to defend United States' interest in Panama which relate to the Panama Canal very largely. That is why it is an important place.

We felt that without a Government in place that has the stability that comes of legitimacy, that those interests, including the situation of our personnel on the ground, are threatened. And they are threatened in the long term.

What we keep getting into is this short term versus long term thing. You can relieve the immediate pain maybe, of somebody by paying a tax that he wants.

Or maybe you say, "Okay, let us go to the commissary this way." But what happens is you get a kickback from him. And our objective here is not to try to find some way to live with Noriega and make life a little less painful dealing with Noriega, but to take care of that problem.

Get it out of the way and get back to where we can have our people in a good situation down there over the long term. It does involve short term pain. It is not easy. There is no good answer to any of it and we know it.

It is as frustrating for us as it is for you. Maybe not as frustrating as for the people on the ground. I know General Fischer who has to live down there, folks who were testifying earlier, our people in the embassy. It is a darn difficult situation for all of them.

But the solution to it is to get the overall problem solved. The piecemeal stuff is not going to work.

Mr. LAUGHLIN. Well, do you have any doubts about the harassment and death threats that we have heard from the Panamanian citizens that work for us or from the American citizens who have testified earlier today?

Mr. KOZAK. No doubt whatsoever. There is harassment. It is very deliberate. It is just as deliberate as when Noriega went and beat the daylights and shot his political opponents the other day.

It is designed to intimidate people. It is designed to gain concessions from them.

Mr. LAUGHLIN. Well, do you have any consideration, any discussions going on, to step up the heat on Noriega or change the policy?

Mr. KOZAK. I think what you heard from the President the other night is indicative. When you get your profile down to where you are in a better position to act when you declare you are going to act to protect American lives; to defend and enforce our rights under the Canal Treaties, which are very extensive rights; when you deploy more forces down there to be able to have the capability to do that—that says something.

At the same time, we also are supporting these regional activities to see if they can produce a result. They have got a time frame on them. They set a 15 day approximate time frame. The OAS did call the other night for this transfer of power that they are going to try to arrange.

Mr. LAUGHLIN. I think you will have the admiration and support of this Committee if you bend some of the rules with the Noriega group.

I am sure you will make the American people proud of both the State Department and the Defense Department, which we all want to be if you will bend some rules occasionally for the benefit of American citizens.

That completes my questions and my statement and I thank you for being here. I do appreciate it. You have a difficult task, but sometimes so do we.

Thank you. Thank you, Mr. Chairman.

Mr. DYSON. Thank you. The gentleman from Florida would like to ask some questions.

Mr. Goss. Thank you, Mr. Chairman. I think we would all agree these are unusual times, and that calls for unusual measures, and I think we have taken them.

I think there is no question also that the problem is Noriega. That we agree. That is an assumption that is no longer challengeable.

I think it is also a very valid assumption that we are now undergoing a period or in a period already of more intense pressure and greater stress down there.

I do not think there is any doubt about that. And I think that really the issue today is what can you offer the employees, the Americans particularly?

I think it is very cited that the President did say that we were sending troops to protect our citizens. I do not remember him saying anything about having our citizens restrict their way of life or go about changing their habits or anything.

I am sure that is probably a wise judgment and in the final administrative details, there will be some requests made to do those things.

But getting to the part of it—I would like to speak on all the employees whether Panamanian or American. But getting to the part of what can you offer during this period of predictable greater tension, and potential problem, and potential conflict, and certainly confrontation with regards to the questions we were asked today?

What about the schools? We can foresee there is liable to be trouble there with the taxation, as Mr. Padmore said. What about the fact that the military is apparently inside the walls rather than visible?

Is there, in fact, a policy of the United States of America to avoid confrontation at this time? Are we in a position where we cannot provide escort to American citizens going about their business in Panama whether than we are confining them to restricted areas in order to enhance their own security?

Is that not part of a policy to avoid confrontation? The question about the buses and transportation. We have had some very valid questions, I feel, by Mr. Small and Mr. Davis about the bus system.

How do people go about doing their business. What I am getting at is we can predict tension ahead. And are we prepared to respond to it and how are you going to respond to it?

And are you looking out for some of the concerns that have come up today or are they really too insignificant compared to more strategic concerns that you are worried about?

Mr. KOZAK. I would say they are significant, Mr. Goss. And I would make first a point with respect to something like the school taxation.

We did make an exception early on for the Social Security tax so people could go to the hospital. That, by the way, was one that the embassy was also withholding for its employees. It is just because of the difference under the Panamanian law that income tax is different as between different U.S. agencies

.We found though that that money that was paid over for social security did not go into stocking the hospitals so that people could get medical treatment.

Instead, it was swiped by the PDF and used to pay their soldiers' salaries or whatever else they decided to do with it. And so the quality of treatment has gone down.

One could say the same for the schools. In fact, my understanding, and I do not claim to be an expert on Panamanian law, is that the educational insurance tax is not supposed to be used to pay for the general schooling.

It is for scholarships overseas or some darn thing like that. And it is a case where he is trying to use the threat of not letting people go to school to extract that other tax.

It just goes back to this point that if you give in on something like that, it is like giving in to terrorists. You will just encourage more of it.

We have to find a way to protect against it as best we can. And I think with that, I would ask Mr. Brown and General Fischer to comment on some of these steps that are being taken to protect Americans.

Mr. Goss. I would like to hear their answers, but one thing you have just said gives me some pause. You say giving in is something we cannot do, but, in fact, are we not already giving in?

If we are paying funds to these buses are, in fact, owned by PDF. Are we not, in fact, just finding another way to put money into the coffers?

By getting people to change their quality of life, their way of life, is that not, in fact, giving in?

Mr. KOZAK. Mr. Goss, I would have to go back. I am not sure whether that is accurate that the PDF owns the bus companies.

I know they exercise a lot of influence over them in the sense that they have threatened to take away bus drivers licenses to operate if they do not go out and operate when the PDF wants them to.

They can manipulate them through those kind of regulatory actions, but I am not aware that they are benefiting from an ownership type of interest in them.

Part of the President's policy is if we can identify businesses that are owned or operated by PDF officers or by any of the entities of that regime, they are not going to be getting U.S. business.

Mr. Goss. To me it is a very resolvable issue. I suspect the military has buses and, you know, it is not exactly a bright idea to suggest we substitute one for the other.

But I would like to hear the answer from the other witnesses with regard to our policy about confrontation.

Mr. BROWN. Well, in the wake of the President's decision, as you know, we did reinforce——

Mr. Goss. I cannot hear you very well.

Mr. BROWN. ——we did reinforce our troop strength in Panama. And he has directed that we protect American lives. Well, that is a big job in Panama.

There are about 45 to 50,000 Americans, as you know. And that is something that we are making plans for right now, of course.

As far as backing down or not seeking confrontation, I think in the area of asserting our Treaty rights, we also are going to make darn sure we can go from place to place or from base to base when we need to.

And those rights are going to be asserted by force if necessary. The President has made that very clear and we are going to carry that out.

There is no attempt to back away and we are going to be proactive as we can and not reactive. But to get down to individual cases of protecting every American in every place, it would be difficult to do.

We are going to try to do it. Perhaps the General can give more details.

General FISCHER. Thank you. Well, I would agree with Mr. Brown, it is a tough job, but it is not a job that we started thinking about yesterday.

Mr. Goss. I hope not. I heard him say planning and I just about rose out of my chair. It is a little late to be doing planning or implementing this week.

General FISCHER. I thought I would correct that for you.

Mr. Goss. Thank you, I appreciate it.

General FISCHER. It is a tough job and there are a lot of Americans. And perhaps it would be useful to just review a little bit of the comment "behind the walls."

There is no such thing as "behind the walls" as we would know a base in the United States where you have nice, neat guards on the gate and no one gets through.

My headquarters is guarded by the PDF. Fort Amadore, and many other places where our people live, are jointly patrolled by the PDF and our forces.

So there is no such thing as a nice, neat "behind the wall" to keep everybody protected. Our commissary, our exchange, our hospital, our schools, are all off of the defense installations.

So that creates considerable challenge in protecting everybody. Nevertheless, there are plans that are exercised and we think well thought out to protect Americans as the need arises.

Mr. Goss. I appreciate that. I guess the question, the testimony that we have had today is that the policy, and again, going back that clearly the blame lies with Noriega. There is no question about that and I am not blaming anybody else.

But what I am suggesting is that we may not be doing quite as good a job as we should be trying to help those who are trying to run the Canal, which is our area of interest after all.

And now we are in a position we are not only trying to help them go about their lives in a convenient way so that they can do their jobs in a relatively reasonable atmosphere and now we have created an escalation of risks.

Because policy considerations, which seem to be necessary, and I think virtually everybody applauds. That means extra measures from everybody and I would expect that employees would be willing to give in for a while, to give up certain things for a while to understand those risks and the consequence.

But I think it has to go both ways. And what I want to be sure is that we are going far enough. That you, Defense, State, the Commission, and the players down there, basically our management team down there, is doing everything they can reasonably do to help people go around and maintain their quality of life.

And it does not sound, from the testimony, like that is happening. I think that is really my main area of concern.

General FISCHER. Yes, sir, and that is a legitimate concern of everyone. As you know, there are different aspects to the problem.

The Panamanian work force for the Canal have a separate problem, and there is absolutely no doubt about that. You heard that very eloquently spoke.

The Americans Canal community have separate problems, and certainly shopping and getting around is one of those problems. We need to eliminate those kinds of worries.

As far as busing, you would think that the military has a lot of buses. Incidentally, we do not have. We contract our buses. And you may remember a while back the school bus crises. Those are all Navy buses, but they are contracted through a Panamanian contractor who had got us into problems.

Mr. Goss. I am sure. It just seems to me that we ought to be doing a little better on the transportation problems by now. We have been with it for quite a while.

I guess that we did not go into this thing with our eyes closed. At least I hope we did not. We seem to have a lot of practice thinking about it.

General FISCHER. No, I do not think so and as I recall, the discussions between the embassy, the Canal Commissioner, and representatives from SOUTHCOM as the crisis came up, it was the Commissioner's strong belief that he needed to get buses on the street immediately to help his people out.

And he did that. It was his belief that was working. In fact, a great many of the buses had to be changed because they were not used at the rate anticipated, which told us that we probably had them on the wrong route or too many on the same routes. So we changed all that to accommodate what was needed.

Mr. Goss. Thank you.

Mr. RHODE. If I might, please. On the bus issue, since it is a Canal Commission problem. The General was absolutely right. We probably put more buses—well, we did contract for more at the outset than we really needed.

We have placed Commission checkers on those buses to check every route to determine utilization. Because of the underutilization, we have cut out some of those buses in order to save money.

We had checkers on them at every route all times of the day and night. I think it was approached very scientifically.

Our people assured us that the contract that was not with Noriega or his henchmen as one of our employees testified, but rather, with legitimate Panamanian business concerns.

I would also say that because we reduced the number of buses, we have instituted the taxi refund. We now refund up to $7 a day to our employees for taxi fare in getting back and forth to work.

In my view and in view of the Panama Canal Commission, the bus system is adequate and is working properly.

Mr. Goss. Well, you disagree with the testimony we heard earlier then?

Mr. RHODE. I am sorry?

Mr. Goss. You disagree with the testimony of Mr. Padmore.

Mr. RHODE. I do indeed.

Mr. Goss. All right. Thank you very much.

Mr. KOZAK. I might comment on that, Mr. Goss, too to say that this was something that was planned. I know that the embassy worked together with Pancanal and Southcom. We ended up in a similar situation for our embassy personnel, none of whom have their private cars available anymore nor a lot of our official cars. So we likewise had to get vehicles. We have a smaller staff to move around.

You mentioned keeping up the quality of life. It is absolutely true that the quality of life for everybody down there is worse. And there are no two ways about it and there is no way to undo that.

You can try to mitigate it with things like the buses, and the rent-a-vans, and that sort of thing. It is not the same as having your own car. It is not the same when you do not have the kind of security that you ought to have when you are going around.

You can try to mitigate it, but you cannot correct it as long as you have that situation in the country. So you have to get at the underlying situation.

It is correct to be looking at everything we can do to make that as tolerable as possible in the meantime. But we are never going to get out of this mess unless we solve the underlying problem.

Mr. Goss. I guess what we are all saying in a different way is that we recognize we are in a little bit of a period of sacrifice here for hopefully a greater benefit before this thing—or when this thing finally plays out.

But we do not want a disproportionate share of that sacrificed being formed by the employees of the Commission.

Mr. KOZAK. We agree.

Mr. Goss. Thank you very much, Mr. Chairman.

Mr. DYSON. General and panelists, I am going to recognize my colleague from Texas. I would like to ask the General a couple of questions before though.

I have a list of harassing techniques and various incidents that have occurred in primarily in 1988. They also go into 1989.

A number of them are of dependent spouses who were shopping at the shoppettes. I understand that a different arrangement governs who can shop at a shoppette as opposed to shopping at a commissary.

As I said, we have a number of incidents here in which these individuals, what they purchased was considered contraband by the Government of Manuel Noriega.

And so many of them were stopped, they had their personal property confiscated, and they were required to pay fines.

It is my understanding of the executive order the President that one of the purposes of the military, the battalions going into Panama, is to enable them to protect the dependents as part of their charge.

Are they going to be able to protects U.S. citizens if they are given or granted commissary privileges there from this very type of harassment?

General FISCHER. It is a tough problem. As you know, the commissaries are off base, the shoppettes are on base. So the greatest protection is on base.

And I am not sure what list you have or how long it is of harassments, but there is no doubt that people were harassed by the Government and accused of buying contraband by the Government since it was against the Canal Treaty.

I would have to refer to some of the records. I do not recall, off hand, instances where people had their goods confiscated. There was threat of that. And I am not sure how many you are speaking of.

Mr. DYSON. We do have quite a list here where this, in fact, happened.

I have just on this one page—these two pages I have —I have four or five. But be that as it may, that is in the past.

As the tension heightens, and I hate to say it but I do believe that is going to happen, my concern is are you going to be able to protect them?

General FISCHER. Yes, we are.

Mr. DYSON. And with the commissaries that are on base, the shoppettes I believe are off base, correct?

General FISCHER. Shoppettes are on base, commissaries are off base.

Mr. DYSON. Commissaries are off base?

General FISCHER. Commissaries are off base. It is the shoppettes that are on base. There is one commissary at Howard on base. The main commissary is off base in Corozal.

Mr. DYSON. All right. Well, I am not going to argue with that. I remember going to one of them once in Panama, I do not believe we were on post.

Again, Mike Rhode had said something in the beginning of his testimony about the protection of the P.C.C.'s housing. Are you going to be able to offer them protection?

I think it is laughable that the PDF is protecting them today. I mean, that is not really protection.

General FISCHER. I agree that it is a little shaky at best when you have the PDF protecting. Although I think up to this point, there has not been problems in the P.C.C. housing area.

But, obviously, the United States is there and the President has charged us to protect Americans and we intend to do that.

Mr. DYSON. The reason I ask that question is because we have heard rumors, that you are going to protect P.C.C. housing on a routine basis.

I do not know if that is at your paygrade. I know you will not be making that decision, but if that decision should come about, will you be able to do it?

General FISCHER. Of course.

Mr. DYSON. Great. I ask my colleague from Texas if he has any questions?

Mr. LAUGHLIN. Mr. Kozak, can you give those of us on this Committee any comfort that your policy is working to weaken Noriega? And, if so, can you give us what those indications are that his position is being weakened?

Mr. KOZAK. Yes, sir, Mr. Laughlin. I would say that the main thing that is weakening Noriega is himself. When you look at the trend line here over the last couple of years, his situation has gotten progressively worse.

He has been internationally isolated for over a year; people treating him very coldly. That is now increased with the whole OAS condemning him.

I am not saying that any of these things by themselves is decisive. But when you look at the different elements. He is very isolated internationally.

In terms of the economic situation, it has gotten progressively worse for him. He sort of goes by hand to mouth. And I should

come back on the sanctions of whether they work and how they are targeted.

They were designed to reduce the availability of revenue to that regime and not to harm the economy generally. And they have pretty much had that effect.

The figures that we get show that there has been a 52 or thereabouts decline, a 52 percent decline in revenue over the past year for the regime.

About half of that is due to the U.S. sanctions. The other half is due to just tax collection being down because the economy is down.

The other big indicator is there is a 20 percent decline in the economy. Only about four percentage points of that was due to the U.S. sanctions. The rest of it is due to the loss of confidence in investment in Panama.

People can move their money very quickly and they do. So that is not something we created, but it is a pressure on him. And, unfortunately, on the people as well.

The third thing is his internal popularity. Now, we knew he was not real popular, but this election was a concrete manifestation and I think totally shocked him and his own supporters.

They still are not quite sure what to do. They did not mean to lose that election. They thought that by double voting they could close it up and if they had to falsify a couple of tally sheets they could win.

They lost big time. They lost by a three to one margin even with multiple voting and cheating of that kind on the part of their own supporters.

What was evident was that a lot of people in the military forces were voting against him. He was left with a situation where he tried rather desperately to go ahead and falsify all the tally sheets to install his own handpicked candidates.

He could not even pull that off with his own people. It required such massive fraud that they just could not do it. So they did the only thing they could, annul the election and try to blame it on somebody else.

But it was a very clear indicator of his total lack of support not only within the country, but now it even started to eat into his institution.

I do not mean by that that there is some organized coup coming along there, but that there is dissatisfaction within both the military and the Government work force.

So he has got those pressures on him. And he also has the United States now in a posture to exercise its Treaty rights.

He has not appeared for the last—well, since the election, nor has his current puppet President. They have been sort of out of circulation.

The sense we get is that they are not quite sure what to do. Their own supporters do not seem to know what to do or what is left of their own supporters.

That thing had such a big effect, that election. Then he did about the only thing he could—as far as putting the people back in their houses—which was to attack the other candidates brutally. That we all saw on television.

That is not the mark of a guy playing a winning hand. He is playing a weak hand. Maybe well tactically from a sort of a moral standpoint, but his hand is getting weaker all the time. Now, when does that break? Somebody said to me the other day, "dictators look strong until 10 minutes before they get on the plane."

And that is one of the problems you have here. You are never quite sure when all of these pressures and factors that have gone against him are going to come to pass.

I do not want to sit here and try to make some prediction to you because your crystal ball is as good as mine on that one.

But what you can look at are these trends. Is he better off today than he was 6 months ago or a year ago or two years ago?

No, it has been progressively worse. Weakened support, both popularly, in his institution, and externally in terms of foreign involvement.

So that is about the best I can give you on that. He is on the downhill slope.

Mr. LAUGHLIN. Thank you, Mr. Kozak and thank you, Mr. Chairman.

Mr. DYSON. We really did not let Secretary Brown or General Fischer offer any remarks other than the questions. The same policy applies to you as with the others regarding your testimony.

Your testimony will be a part of the record. I do not know if any of you have anything you would like to highlight. You have got a minute or two. We would be glad to hear you.

STATEMENT OF MR. BROWN

Mr. BROWN. Well, that is just fine, Mr. Chairman. Thank you very much. I will submit my statement for the record. If you will accept it I would appreciate it. I have nothing more. I will answer any question you might want to ask.

[The statement of Mr. Brown can be found at end of hearing.]

STATEMENT OF GENERAL FISCHER

General FISCHER. Sir, I do not have a statement for the record since both Mr. Brown and I are from the same department. He will submit his and we will stand together.

Mr. DYSON. Let me ask Secretary Brown, before we leave, it is my understanding many of the dependents are moving on post. Is this all of the military dependents are moving down on post? Or is it those that are not returning to the United States?

Mr. BROWN. All the dependents, yes. There is a plan for having that done. There was a sponsor system and the General can give you the details and the numbers on this that put them all on the bases just recently.

Now, how to sort all those things out as to who are going to stay on the bases and going back to the States, that is in the process of being sorted out right now.

But that is the plan.

Do you want to give some of the details, General?

Mr. DYSON. The reason I asked that is I am certain the Armed Services and the other soldiers had a housing shortage there.

Mr. BROWN. That is right.

Mr. DYSON. I am beginning to wonder how much a shortage there really was if you are able to accommodate so many people.

Mr. BROWN. The sponsor system is going in and living with other families on a temporary basis.

Mr. DYSON. That has its limits, too.

Mr. BROWN. Indeed.

Mr. DYSON. I did not know whether you were having to resort to emergency housing measures, such as putting families up in schools, or commissaries, well, not commissaries.

You can put them all in commissaries, but you are not letting anybody buy anything out of the commissary.

[Laughter.]

General FISCHER. First of all there is a housing shortage. You are quite right in that observation. There is a housing shortage.

For the people that moved immediately on base, we doubled up. We doubled up practically every family in our housing units.

Also, we immediately worked to get people and dependents out of Panama the quickest method that we could. And, in fact, 2 days ago we had a couple of airplanes with dependents leave and yesterday even more.

So the dependents that we doubled up and inconvenienced are moving as fast as we can move them. We will continue to offer on base dependents the opportunity to go back.

The services have responded marvelously with orders for the sponsor. And in most cases, DEROS dates or dates that sponsors were scheduled to leave Panama, up through December of this year, have been rolled back so that people living off base with their dependents can go on to their new duty station earlier than planned.

And that is all working very well.

Mr. DYSON. I am glad you can do that. I do not know if any of the other Members have any questions. This is going to end our period.

I have one more question for Mr. Kozak. You know, the commissary issue is a very soft point with us. And I will be very honest with you. I am very disappointed in what happened last year.

And I wonder if the suggestion being made by Secretary Page is a good one. It is going to get up there and you are just going to turn it down.

I do not think you have heard the last word from the Congress of the United States.

And we are going to take some type of action America. You know I just wonder, if George Bush were asked by our American dependents there, if they could buy groceries from at U.S. commissaries, what would he say if he was confronted by them.

As I said, you do not have to answer that.

Mr. KOZAK. No, but I have to ask it, Mr. Chairman. That is a level at which a lot of the decisions will get made. And then we certainly will pass your views on.

As I understand it from what Mike Rhode has testified, there now is a request that will be coming into the inter-agency system which is not an event we have had for some time.

And if there is a dispute amongst agencies it will get kicked upstairs. That is the way it works. I do not mean anything that I said

today to imply what the outcome of any such process would be within the administration.

We were talking about last year and the kind of considerations that are involved in that situation, but I do not mean to be signaling a decision one way or the other here.

If we get a request coming up in the system, it will get elevated until a decision is made.

Mr. DYSON. Let me thank you all for coming. We thank you for your testimony. As I said, for those of you who were unable to present it, it will be a part of the record.

Thank you very much. The bottom line in all this is we have a very serious problem down there. Our concern is the safe operation of that Canal. It is very important to the United States.

And we since a serious problem there. And I think you also appreciate our frustration. Thank you again coming.

Mr. KOZAK. Thank you, Mr. Chairman.

General FISCHER. Thank you.

Mr. BROWN. Thank you.

Mr. DYSON. This will end the hearing for today.

[Whereupon, at 4:10 p.m., the Subcommittee adjourned, subject to call of the Chair.]

19-892 O - 89 - 3

STATEMENT BY THE

SECRETARY, PANAMA CANAL COMMISSION

BEFORE THE

PANAMA CANAL/OUTER CONTINENTAL SHELF SUBCOMMITTEE

COMMITTEE ON MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

MAY 18, 1989

Statement by Michael Rhode, Jr.
Secretary, Panama Canal Commission

Mr. Chairman, I am Michael Rhode, Jr., the Secretary of the Panama Canal Commission. I appreciate the opportunity to provide testimony at this hearing concerning the present uncertain situation in Panama and the effect of the campaign of harassment and intimidation launched by the Noriega regime against Canal employees.

As you know, the elections in Panama and events immediately following them have contributed to a further deterioration of relations between our two countries. Because of continuing turmoil and sporadic violence, our employees and their families -- both American and Panamanian -- are experiencing unprecedented difficulties and personal hardships in their daily activities, both on and off the job. I can report with a great deal of pride and satisfaction, however, that despite these extraordinary obstacles the men and women of the Panama Canal Commission have continued to provide uninterrupted, safe and efficient transit through this critical waterway to the vessels of all nations.

In this regard, the time spent by ocean-going vessels in Canal waters, which is the principal measure of our standard of service, is currently averaging well below the accepted 24-hour benchmark. This achievement is primarily due to the dedication and loyalty of Canal employees and the agency's management team, whose exemplary performance throughout this uncertain period is well recognized by the world shipping community.

Anticipating the extremely unsettled conditions under which we are now operating, and to ensure the welfare of our employees as well as continuity of

operations, contingency plans in a number of key areas were implemented just prior to the elections. Included among these initiatives are enhanced security at vital installations; expansion of both land and water transportation capabilities to get workers to and from job sites; provision of temporary lodging and rations for employees held over at their duty stations; and activation of the emergency communications and information center to keep employees and their families abreast of developments as they occur. We are also in continuous contact with the emergency operations centers of the U.S. Southern Command and the U.S. Embassy.

Notwithstanding the measures we have taken to safeguard operations and assist the work force, the Administrator has asked me to convey his profound concern for the welfare and physical safety of the residents of our Canal communities, most of whom are Americans. These people do not live within the confines of U.S. military bases and, therefore, are particularly vulnerable to violence that may spill over into or even be intentionally directed at the Canal area. After consultation with Mr. Page, as well as the U.S. Ambassador and the CINC, U.S. Southern Command, the Administrator put into effect this week a voluntary relocation plan applicable to the dependents of our U.S. employees.

At this point, Mr. Chairman, I would like to spend a few moments on another problem of critical proportions facing the Canal today. You are aware that the economic sanctions instituted against Panama last year and revalidated recently by President Bush, require certain payments to be made by the Commission into a designated escrow account, rather than to the Noriega regime. These escrow monies include amounts withheld from the salaries of our Panamanian employees as income tax and educational insurance owed by them to

Panama. The nonpayment of these tax monies to the regime is resulting in extremely negative consequences for our Panamanian employees. To date, the amounts held in escrow total approximately $22 million and $10 million for the Canal Commission and the U.S. military, respectively, for a total of about $32 million.

Specifically, the regime has moved against our Panamanians by prohibiting their travel outside the country, by withdrawing their right to conduct many business transactions and, most recently, by refusing to renew the license plates for their vehicles. In addition, Panama's Treasury officials have instituted collection actions against selected employees in which they are seizing their vehicles and freezing their bank accounts. Additional confiscations of property are reportedly being contemplated for the post-election period. In sum, our loyal Panamanian employees are now being treated as criminals in their own country by the illegal regime dominated by Noreiga.

The regimes effort to change U.S. policy by harassing and threatening our employees has created serious practical and morale problems for our work force. The solution to these problems is the early departure of General Noreiga from power and the resumption of normal relations between the U.S. and Panama.

Mr. Chairman, I cannot overemphasize the gravity of this matter. The morale of our Panamanians (who now comprise 85 percent of the work force) has fallen to a new low because of the situation I have described, and that fact will, if allowed to continue, inevitably result in a significant deterioration in the safety and efficiency of the waterway.

I would like to conclude by noting that, although the political crisis has not yet caused traffic to divert from the Canal, we have ascertained from discussions with shippers that they are becoming increasingly worried about the continued safety and efficiency of the waterway. This nervousness is understandable. Canal users are basically concerned with the future viability of the Canal after it is turned over to Panama at the end of this century. Accordingly, they tend to view current events in Panama as harbingers of the post-treaty era. Over the longer term, the international shipping community may consider alternative commodity sources, or the intermodal system, to be more dependable and secure options than the Canal.

I want to thank the Committee again for the opportunity to provide current information in this important hearing. I trust that the information I have provided will contribute in a meaningful way to your overall understanding of the situation facing the Panama Canal today, and I hope that we will be able to work together in the weeks and months ahead to ensure the continued viability of this great enterprise.

STATEMENT OF THE

SECRETARY OF DEFENSE REPRESENTATIVE TO

THE BOARD OF DIRECTORS

PANAMA CANAL COMMISSION

BEFORE THE

PANAMA CANAL/OUTER CONTINENTAL SHELF SUBCOMMITTEE

COMMITTEE ON MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

MAY 18, 1989

Statement of Robert W. Page
Secretary of Defense Representative to the Board of Directors
Panama Canal Commission

Mr. Chairman, I am Robert W. Page, the Secretary of Defense representative on the Panama Canal Commission's Board of Directors, and I appreciate the opportunity to provide a statement for the record of these hearings on recent developments in Panama and their effect on the Panama Canal.

The Canal Commission Administrator, D. P. McAuliffe, and the Commission's Secretary, Michael Rhode, will be providing your committee with insight regarding the current situation on the Isthmus in the wake of recent elections there, and the effect which the economic sanctions are having on Canal operations and the Commission's work force. I am certain you will find their testimony informative and enlightening.

Mr. Chairman, the record of this hearing would not be complete if it did not include recognition of the extraordinary accomplishments of the Canal's managers and employees at all levels who, in the face of severe adversity, have kept the waterway running smoothly. I trust that their invaluable contributions will be duly noted by the committee.

Again, I thank you for this opportunity, and I look forward to working with you in the future.

STATEMENT OF CAPTAIN ROBERT J. LOWEN

INTERNATIONAL PRESIDENT

INTERNATIONAL ORGANIZATION OF MASTERS, MATES & PILOTS

to the

SUBCOMMITTEE ON PANAMA CANAL

COMMITTEE ON MERCHANT MARINE AND FISHERIES

MAY 18, 1989

Mr. Chairman and members of the Subcommittee:

I am Captain Robert J. Lowen, International President of the International Organization of Masters, Mates & Pilots, ILA, AFL-CIO. I am accompanied today by Captain John H. Maher, Branch Agent for the MM&P Panama Canal Pilots Branch. Approximately 800 employees of the Panama Canal Commission, including both Panamanian and American citizens, belong to our Union. Our members are involved in a broad range of the Canal's operations, working as marine pilots, towboat captains, tugboat personnel, marine traffic controllers, lawyers, engineers, police and guard personnel, electronics workers, and clerical personnel.

We appreciate the opportunity to discuss the problems being faced by the American and Panamanian citizen employees of the Panama Canal Commission. I commend you, Mr. Chairman, and the members of your Subcommittee for holding this hearing and for your efforts to ease this crisis situation for these employees of our government and their families.

The MM&P has a long and proud history of involvement in ensuring the Canal operate smoothly, both prior to and since the Treaty. Our members have dedicated themselves to providing the highest level of professionalism to guarantee the most efficient transit through

this vital waterway. In 1979, prior to the time the Republic of Panama assumed Treaty jurisdiction over the former U.S. Canal Zone, I metwith the then-President of Panama, Aristides Royo. During our week-long discussions, we reached agreement on providing the Government of Panama with operational and technical assistance to train and otherwise improve the skills of Panamanian maritime personnel. In return, we received assurance from the Government of Panama that the safety and well-being of all members of the MM&P and other unions in Panama would be guaranteed.

Mr. Chairman, we have lived up to our part of the bargain. The training and upgrading of personnel for the Canal continues to this day, and the Canal has been run professionally and efficiently. Nevertheless, our members and all employees of the Panama Canal Commission find themselves harassed and threatened. The time is long overdue to stop treating these American and Panamanian employees of the United States Government like pawns and to stop jeopardizing their health and safety to achieve a foreign policy objective.

In February 1988, the previous Panamanian government was deposed by General Manuel Antonio Noriega, setting off a chain reaction of U.S. and Panamanian moves and countermoves. Unfortunately, many of the well-intentioned actions taken by the United States Government to apply economic pressures on the Noriega regime have been used by

this regime to the detriment of the American and Panamanian citizen employees of the Panama Canal Commission. While we understand fully the reasoning behind the economic sanctions imposed on the Noriega regime, we nevertheless feel it is imperative for the U.S. Government to accept its responsibilities to protect the economic well-being and safety of all its employees.

Especially since February 1988, Commission employees have been adversely affected by the changing situation in Panama.

Due in great measure to the efforts of this Subcommittee, we were able to get the U.S. and Delvalle governments to agree to allow our citizens the use of shoppettes, which have provided them with a limited amount of food supplies and have been available to cash checks when the supply of dollars dried up in Panama due to economic sanctions. This was despite the efforts of the U.S. State Department, which has actively opposed the granting of shopping privileges even on a temporary basis.

Adding to the harassment of these U.S. citizen employees, on June 14, 1988, the Noriega regime advised the Panama Canal Commission that they considered the use of the shoppettes a violation of Panamanian customs law and threatened to enter Commission employees' quarters to search for and to seize these "contraband" items and to possibly assess penalties.

To date, this threat hangs over the heads of U.S. citizen employees of our government in Panama.

As part of its efforts to exert economic pressure on the Noriega regime, the United States has refused to allow transfer payments to the Panamanian government. For example, the United States withheld the employee contributions to the Panamanian Social Security System which provides numerous benefits to the Panamanian citizen employees of the U.S. government.

In response, the MM&P met privately with the Panama Canal Commission to point out that the well-being of our Panamanian citizen members and of their families was being threatened by denying them access to health care, workers compensation and annuity benefits. The MM&P reminded the Commission that the State Department was already allowing numerous U.S. corporations doing business with Panama to make payments to the Noriega government. As such, the United States was placing the burden of its economic sanctions squarely and solely on the backs of the individual employees of the Canal Commission, giving various corporate entities a waiver to conduct business as usual.

We were able to help obtain a letter from a duly authorized representative of the Delvalle government urging the State Department to allow these funds to be transferred on humanitarian

grounds. The social security funds were transferred to Panama shortly thereafter.

Despite our efforts and the efforts of this Subcommittee to protect PCC employees in Panama, the situation has reached a crisis stage. The United States government continues to hold in escrow the Panamanian income and educational taxes being withheld from Panamanian citizen employees of the Canal Commission. As a result these employees cannot receive "paz y salvo" documents from the Panamanian government. These documents are required for Panamanians to leave the country and to conduct such simple business transactions as buying and selling houses or cars. This situation has been very detrimental to the morale of these employees and has placed them under considerable stress and uncertainty as to their future.

In contrast, under the economic sanctions imposed last April, the taxes and other payments that U.S. companies previously paid to General Noriega are required by Treasury Department rules to go into an escrow account at the Federal Reserve Bank of New York. In a letter to the editor of the Washington Post dated March 31, 1989, Congressman Sam Gejdenson, Chairman of the House Foreign Affairs Subcommittee on International Economic Policy and Trade, stated that "U.S. officials have noted privately that the sanctions have not been enforced because U.S. companies have simply ignored the law.

Instead of clamping down when the enforcement problem became public, the Treasury Department simply amended the regulations in January, making it legal for companies to ignore the Federal Reserve account. Even though Treasury should have known the change would be controversial, it took this action unilaterally, with no prior notice and no opportunity for public debate."

At the same time, the American Chamber of Commerce in Panama City, which represents more than 100 U.S. firms, has begun lobbying to exempt private U.S. companies from the sanctions on the grounds that it is unfair to apply the same measures to them that are applied to the Panama Canal Commission and other government entities.

In October 1988, officials of the Republic of Panama published a warning to these "delinquent" taxpayers/employees of the Panama Canal Commission that they would begin legal proceedings, including the seizure of real and personal property, to collect outstanding income taxes. They are also threatened with fines for nonpayment of these taxes. By the end of 1988, a number of Panamanian citizen employees of the Canal had been notified that proceedings would shortly commence to seize their property.

The Panamanian government is also requiring employees to have a certificate showing that all taxes have been paid before they will be issued a new or renewed automobile license. The government set a deadline of February 28 as the date to begin enforcement of this regulation.

On March 15, as the next step in its harassment policy, the Panamanian government sent a letter to Canal Administrator Dennis McAuliffe stating that some Panamanian citizens had obtained their 1989 license plates without fulfilling the legal requirement of obtaining "paz y salvo." It threatened to go to work site parking lots to confiscate license plates and impose appropriate sanctions.

The Commission protested this threat and warned it could lead to disruption of Canal operations. The Commission also established a plan to help defray transportation costs for employees forced to use public transportation. This plan, while commendable, is insufficient because many employees, especially Canal pilots, are on twenty-four hour call. For the most part they live in the suburbs and it is virtually impossible to use taxis or buses to get to and from their duty stations at all hours of the day.

The Canal has been virtually free of strikes and slowdowns since its opening in 1914. The MM&P and other unions representing employees in Panama expect that their members will continue working. However, Panama Canal Commission employees are very worried, frustrated and angry.

It is all too easy for State Department officials to decide that Commission employees should "suffer" along with everyone else in Panama. These officials don't have to worry about how their policy decisions will affect the economic security or safety of their own families. Nor do they have to worry that one of their own family members will be detained by a police force and not allowed to make contact with his family or employer.

The Government of Panama has recently held an election and the Noriega regime has overturned the legitimate results. As a result, President Bush has announced several steps being taken by our Government in response. One of these actions is continuation of the sanctions. Mr. Chairman, we need the help of this Subcommittee. The U.S. Government must do more than "recognize" the crisis facing the employees of the Panama Canal Commission. It must take tangible steps to alleviate their problem.

We suggest that one of the most positive steps which can be taken by our government is to ensure that no Commission employees are exposed to financial damages resulting from the legal actions taken by the Noriega regime. One way this can be done is to earmark the interest paid on the funds held in escrow to reimburse those individuals who lose cars, homes or bank accounts due to the sanctions or who are fined or forced to retain legal counsel for nonpayment of "paz y salvo" taxes or for other work related penalties assessed them by the Noreiga regime.

Further, when a legitimately elected government returns to power in Panama, consideration should be given to changing the policy of withholding the taxes of Panamanian citizen employees of the Panama Canal Commission. This will help prevent this type of situation from arising in the future.

I would further suggest that the U.S. Government make clear to the Noriega regime that these taxes are currently being withheld from the salaries of these employees by the U.S. Government in accordance with long standing agreements between the two governments. The employees are, therefore, not tax delinquents but have paid their taxes through automatic withholding; it is the U.S. Government who is not transferring this money to Panama. Any protest against this policy should be directed to the U.S. Government and not against the innocent employees.

We also suggest that all APO, PX and Commissary privileges be restored to U.S. citizen employees for the duration of this crisis.

Further, our Government must ensure the physical safety of all employees, both U.S. and Panamanian. The Panamanian employees should be assigned to available living quarters. This would further protect them from the possibility of physical assault and allow for continued efficient operation of the Canal. A firm and tangible commitment to the alleviation of the emotional stress and the low

morale experienced by Commission employees because of the campaign of harassment and intimidation by the Noriega regime must be demonstrated by the U.S. Government.

Mr. Chairman, thank you for giving me this opportunity to appear before you. I assure you the Masters, Mates & Pilots stands ready to work with you and your Subcommittee to protect the employees of the Panama Canal Commission and to ensure the continued safe and efficient transit of vessels through this vitally important and strategic waterway.

STATEMENT OF John H. Maher

My name is John H. Maher. I am a Branch Agent and a member of the Panama Canal Pilots Branch of the International Organization of the Master, Mates and Pilots Union, AFL-CIO. I live in Balboa, Panama and am employed as a Panama Canal Pilot. My job at the Canal involves the transitting of ships through the Panama Canal.

Today I would like to tell the Members of the Committee about some of the personal hardships that are the result of the present policies of the actions of the United States authorities in refusing to forward taxes withheld from our members salaries by the Commission to the Panamanian Government.

I would also like to discuss Panama's Political situation and the effects upon the employees of the Panama Canal Commision.

Mr. Chairman, I am attaching to my statement a letter of April 4, 1989, from Mr. D. P. McAuliffe, administrator of the Panama Canal Commission about the detention of one of our pilots, a U. S. citizen, by the Panama Defense Forces.

I also am attaching an April 20, 1989, listing of "incidents of Harassment against the Panama Canal Commission and its employees." This document was prepared by the Commission.

PANAMA CANAL COMMISSION
OFFICE OF THE ADMINISTRATOR

BALBOA
REPUBLIC OF PANAMA

THE PANAMA CANAL 75TH ANNIVERSARY 1914-1989
Honoring the past by building the future

U.S. MAILING ADDRESS
APO MIAMI 34011-5000

APR 4 1989

Captain John H. Maher
Panama Canal Pilots Branch, I. O. M. M. P.
Box 601
Balboa, Ancon
Republic of Panama

Dear Captain Maher:

This is in reply to your letter of March 15, 1989, discussing the recent detention of Captain Laszlo Endrody, Jr., a U. S. citizen Panama Canal pilot, by the Panama Defense Forces.

Before all else, through you, I want to commend Captain Endrody for bearing up so well under the severe pressure and mistreatment to which he was subjected.

Upon learning the details of Captain Endrody's detention, on March 15 the Commission immediately lodged a formal protest through the Coordinating Committee, the binational body established by the Treaty as the channel of communication between the Commission and the Government of Panama. I have attached a copy of the protest. To date, we have not yet received a response.

I appreciate your thoughtful suggestions for monitoring employee movement through the airport. Unfortunately, airlines do not now provide passenger lists. Even if they should, there would be no easy way of identifying passengers who were Commission employees. We would have to thoroughly check every passenger list against the employee roster to determine if Commission personnel were included. With the exception of official travel, we do not necessarily know our employees' travel plans; for example, pilots under the 6-4 plan independently make their own travel arrangements and it is not possible for us to monitor their movement under these circumstances.

For now, I believe the most effective way to respond to potential abuse of Commission personnel is through the full cooperation of family, friends and co-workers in promptly bringing to the Commission's attention--through supervisors or Area Coordinators--knowledge of a detention or of any other

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Captain John H. Maher APR 4 1989

questionable action directed against a Commission employee on the part of the authorities of the Panama regime. In that regard, a recent SPILLWAY article, which was developed as a result of Captain Endrody's detention, informed employees as to what action they should take in similar cases.

Sincerely,

D. P. McAuliffe
Administrator

Copies to:
Capt. Robert J. Lowen, International President, IOMM & P
Capt. George A. Quick, Vice President, Pilot Membership Group

PANAMA CANAL COMMISSION
OFFICE OF THE ADMINISTRATOR

BALBOA
REPUBLIC OF PANAMA

U.S. MAILING ADDRESS
APO MIAMI 34011-50

THE PANAMA CANAL 75th ANNIVERSARY 1914-1989
Honoring the past by building the future

MAR 15 1989

Mr. Gilberto A. Perez T.
Republic of Panama Representative
to the Coordinating Committee
Executive Bureau for Treaty Affairs
Building 356, Ancon
Panama, Republic of Panama

Dear Mr. Perez:

The purpose of this letter is to protest the illegal and unwarranted detention of a U.S. citizen employee of the Panama Canal Commission by Panamanian immigration and law-enforcement officials.

Specifically, I am advised that, at approximately 2100 hours on March 11, Capt. Laszlo Endrody, Jr., a U.S. citizen employed by the Panama Canal Commission as a vessel pilot, was detained by Panamanian immigration officials as he attempted to enter the Republic at Omar Torrijos Airport. At the time of his detention, Capt. Endrody was in possession of a valid official passport issued by the United States of America and a valid entry/exit permit issued by Panama under Article XII of the Agreement in Implementation of Article III of the 1977 Panama Canal Treaty.

Capt. Endrody was placed in a room at the airport for a period of approximately one and one half hours. During that time, he requested the permission of Panamanian authorities to use a telephone; that request was denied. Ultimately, three unidentified persons in civilian dress arrived and escorted Capt. Endrody into a vehicle by which he was transported to the headquarters of the Panama Defense Forces (PDF) in Panama City. There he was placed in a room by himself for about one half hour. At that point, an individual in civilian dress, who identified himself as a lieutenant in the PDF but who refused to give his name, arrived and began to interrogate Capt. Endrody. This interrogation did not deal with any criminal offense but, instead, was directed, first, at Capt. Endrody's alleged acquaintance with an automobile mechanic identified phonetically as "Junior Shoyans" and, subsequently, at the details of Capt. Endrody's job as a Panama Canal pilot. The questions and responses were apparently recorded by a typist who was present throughout the interrogation.

Mr. Gilberto A. Perez T., MAR 15 1989

At approximately 0300 hours on March 12, Capt. Endrody was taken from the interrogation room to another, larger room in the same complex. There he was directed to sit in a chair and was kept awake by a television set which was played loudly in front of him and by several individuals who stayed in the room with him. After approximately four hours in this environment, the PDF lieutenant and a second person identified as a PDF captain arrived and escorted Capt. Endrody back to the interrogation room where they proceeded to question him concerning another individual, this time an aviator by the name of "Laszlo Chabo". Although Capt. Endrody advised these individuals repeatedly that he knew no such person, the questions persisted into the afternoon. At one point, Capt. Endrody was shown a number of photographs and asked whether he could identify any of the individuals shown therein. He advised his captors that he could not.

Later in the day, Capt. Endrody advised the lieutenant that he was suffering from severe pains in his left side as a result of his detention, interrogation and lack of sleep. He asked to see a doctor. After conferring with the captain, the lieutenant advised Capt. Endrody that his passport was invalid and that, therefore, he would be taken back to Torrijos Airport to board a flight for Miami where he could seek medical attention. Capt. Endrody was presented with, and told to sign, a statement, in Spanish, which was said to affirm that he had not been beaten or otherwise mistreated during his custody. Capt. Endrody signed that statement. Shortly thereafter, he was escorted to, and placed in, an unmarked, red vehicle with the PDF lieutenant and a driver. He was transported in that vehicle from PDF headquarters to his residence in the Canal area where he was released at approximately 1900 hours on March 12.

On several occasions during his detention at PDF headquarters, Capt. Endrody requested the use of a telephone. Those requests were, in each instance, denied.

Panama Canal Commission officials were never advised of Capt. Endrody's detention. During the more than 22 hours in which he was held incommunicado, Capt. Endrody was never questioned about, nor charged with, any crime. His ultimate release was without explanation or apology.

The unprovoked and totally unwarranted actions of the Panamanian immigration and law-enforcement officials in this case constitute clear violations of the 1977 Treaty and related agreements between our two countries. In particular, the interference with this U.S. citizen employee's entry into the Republic of Panama was a violation of Article XII of the Agreement in Implementation of Article III of the 1977 Treaty.

Mr. Gilberto A. Perez T., MAR 15 1989

Also, the failure on the part of Panamanian authorities to notify any official of the Panama Canal Commission or the United States of the arrest and detention of Capt. Endrody was in total disregard of the requirements for such notification set out in paragraph 4 of Article XIX of the said agreement. Moreover, the acts and omissions of the various Panamanian officials involved in this incident constitute another blatant and unambiguous attempt to interfere with and impede the efficient operation of the Panama Canal. Accordingly, those actions are violative of paragraph 4 of Article I and paragraph 8 of Article IX of the 1977 Treaty.

In addition to amounting to violations of the various specified provisions from the treaty documents, acts and omissions such as these directed at the Canal Commission and its employees call into serious question the importance which Panama places on the present and future operation of the Panama Canal.

Sincerely,

ORIGINAL SIGNED

John L. Haines, Jr.
Deputy United States Representative
to the Coordinating Committee

April 20, 1989

INCIDENTS OF HARASSMENT AGAINST THE PANAMA CANAL COMMISSION AND ITS EMPLOYEES

Date	Nature of Incident
7/87 to 6/88	During this period, there were numerous undocumented instances of obstruction to the free movement of personnel and vehicular traffic, due to civil disturbances and general targeting of PCC employees for alleged political activities.
1/19/88	Panama rejects PCC suggestion to accomplish badly needed repairs on the Forest Preserve Road by offsetting the corresponding cost against the payments due Panama under the treaty, and threatens to stop any attempt by PCC to effect such repairs.
3/14/88	Intruders illegally invaded 10 Commission-administered housing units in Margarita. Subsequently, six additional units were taken over by intruders. Despite repeated requests for PDF assistance in removing squatters, 12 units remain illegally occupied to date.
3/23/88	Two PCC employees detained, threatened and beaten by PDF in Chorrera and charged with "attempts against the security of the state". (Employees on free time were purchasing food items for distribution to the needy).
3/24/88	PDF stopped and searched Official Vehicle PCC-7199 with driver and three Canal pilots at Gaillard Highway and Madden Road.
3/26/89	PDF stopped and searched Official Vehicle PCC-7206 with operator and two Canal pilots at Gaillard Highway and Madden Road.
3/29/88	PDF stopped and searched Official Vehicle PCC-7205 with driver and two Canal pilots at Gaillard Highway and Madden Road.
3/29/88	PDF stopped and searched Official Vehicle PCC-7195 with driver and two Canal pilots on Transisthmian Highway and Madden Road. PDF personnel attempted to force open the locked equipment box in the trunk.
3/30/88	PDF stopped Official Vehicle PCC-8085 at Kennedy Avenue and Automobile Road. A revolver was drawn and pointed toward driver by PDF agent in plain clothes.
4/6/88	PDF stopped official vehicle with driver and one passenger (Panama Canal pilot) at Sabanitas check point. Vehicle and personal belongings were searched.

4/7/88	PDF stopped official vehicle with driver and one passenger (Panama Canal pilot) at the Sabanitas check point, and vehicle and personal belongings were searched.
4/7/88	PDF stopped official vehicle at Sabanitas check point. Vehicle and personal belongings were searched.
4/13/88	Panama objects to the PCC making food boxes available to Canal agency employees and threatens to confiscate boxes distributed.
4/24/88 to 4/26/88	PDF places house of U.S. citizen PCC employee under surveillance, prohibiting entrance of visitors. PDF officials awakened residents at 1:30 a.m. and searched house on basis of search warrant. On occasions when employee left the house, she was followed by PDF personnel. Actions resulted in Panamanian spouse having to flee country.
4/26/88	Dependent spouse of U.S. citizen Commission employee drove to aforementioned house under surveillance and took photographs of quarters and PDF unit nearby. Upon being hailed by PDF unit, dependent drove off quickly but was followed by PDF personnel. Dependent took refuge in nearby friend's house which was subsequently put under surveillance. Ultimately, dependent was asked to surrender film due to sensitive nature of case, to which she complied.
4/26/88	The Panamanian dependent of a U.S. citizen PCC employee was arrested in the vicinity of his home in a PCC townsite, jailed and held for "attempts against the security of the State." Required notice of detention not given to PCC or USG. Transfer of Custody request not honored; finally released on bail May 4, 1988.
4/29/88	PCC Panamanian employee detained in Carcel Modelo as a result of alleged involvement in political demonstrations.
5/16/88	Dependent spouse while returning to quarters from U.S. military shoppette at Fort Espinar was stopped by Panamanian Customs officials and vehicle was searched. Groceries purchased at the shoppette were confiscated and dependent was required to accompany officials to Customs Office in Cristobal. In addition to confiscation of personal property, dependent was required to pay fine.
5/16/88	Dependent spouse while returning to quarters from U.S. military shoppette at Albrook Air Force Station was stopped by Panamanian Customs officials and vehicle was searched. Groceries purchased at shoppette were confiscated and dependent was required to accompany officials to Customs Office at Curundu. In addition to confiscation of personal property, dependent was assessed fine.

5/17/88 Dependent spouse of employee while returning to quarters from U.S. military shoppette was stopped by Panamanian Customs officials and vehicle was searched. Customs officials confiscated groceries purchased at shoppette and required dependent to accompany them to Customs Office at Cristobal. In addition to confiscation of personal property, dependent was assessed fine.

5/18/88 Commission employee and spouse while returning to quarters from U.S. military shoppette at Fort Espinar were stopped by Panamanian Customs officials who searched interior of vehicle and confiscated groceries purchased at shoppette. Employee and spouse were required to accompany Panamanian officials to Customs Office at Cristobal. In addition to confiscation of personal property, employee was required to pay fine.

5/23/88 Commission employee while returning to his quarters from the U.S. military shoppette at Fort Espinar was stopped by Panamanian Customs officials who confiscated groceries purchased at the shoppette. Employee was required to accompany the Panamanian officials to the Customs Office in Cristobal. In addition to the confiscation of property, employee was required to pay fine.

6/6/88 U.S. citizen employee on Sunday drove in Smithsonian Institute jeep to area near Cerro Azul to perform maintenance on a radio antenna, property of the Smithsonian. PDF arrived at the scene, accused him of having intent to sabotage PDF equipment in area, and detained him for several hours at a PDF facility.

6/9/88 Panama threatens that its customs inspectors will raid the quarters of PCC employees suspected of having merchandise "illegally" purchased in military shoppettes. (Although no houses were entered, several employees and dependents in their vehicles were stopped, goods confiscated, and fines imposed as identified in sections above.)

6/17/88 Two U.S. citizen Commission employees while riding in a four-wheel jeep on a back road near Chorrera were stopped by PDF personnel and informed that a permit was required to be in that area. They were required to accompany the PDF personnel to PDF facilities and were detained for about ten hours.

6/30/88 Panama advises that it will stop providing medical care to PCC beneficiaries of Panama's Social Security System effective June 30 unless withheld employer and employee contributions are paid.

7/4/88 PDF stopped and searched five transisthmian official vehicles carrying pilots at the Sabanitas check-point.

8/16/88	Panama advises that it has decided to provide public services on a "lesser scale" with the exception of fire and police protection which will continue to be provided in the same manner as earlier in the treaty period. As a consequence, frequency of garbage collection in PCC areas reduced from the normal three times per week to twice weekly.
9/15/88	Panama advises that it will not allow public services to be provided by agencies other than those of the Panamanian government and, subsequently, threatens to confiscate PCC equipment and arrest PCC employees engaging in any such effort.
9/20/88	PDF stopped and searched official vehicle PCC-7204 at Madden "Y" on Transisthmian Highway.
9/26/88	Panama's Municipal Garbage Collection Department reduces refuse collection service in Canal area to a one-day-per-week schedule.
10/20/88	PDF stopped Official Vehicle PCC-7226 at Madden "Y" on Transisthmian Highway. Operator's license was checked.
10/25/88	PCC driver stopped on Gaillard Highway for allegedly operating an "oversized" vehicle and was told by Transito officer that the vehicle was not allowed on that stretch of road.
12/16/88 to 12/20/88	Commission official is formally summoned to appear before the revenue authorities by public notice published for five consecutive days in a local newspaper to face executory action for collection of taxes.
12/16/88 to 12/20/88	Notice published in local newspaper for five consecutive days summoning 9 other Commission employees to appear before the Internal Revenue Service of the Ministry of Finance and Treasury in connection with actions to collect income tax and education insurance tax.
12/22/88 to 12/24/88	Notice published in local newspaper for three consecutive days summoning 11 Commission employees to appear before the Internal Revenue Service of the Ministry of Finance and Treasury in connection with actions to collect income tax and education insurance tax.
1/18/89 to 1/20/89	Notice published in local newspaper for three consecutive days summoning three Commission employees to appear before the Internal Revenue Service of the Ministry of Finance and Treasury in connection with actions to collect income tax and education insurance tax.
1/24/89 to 2/ 9/89	Panamanian authorities refuse (without explanation) to issue 1989 vehicle inspection decals to U.S. citizen employees of PCC/U.S. Forces.

1/30/89	Notice published in local newspaper summoning 12 Commission employees to appear before the Internal Revenue Service of the Ministry of Finance and Treasury in connection with actions to collect income tax and education insurance tax.
2/20/89	Placing of Panamanian employees' income tax and educational insurance in escrow causes Panamanian authorities to issue a decree imposing a new requirement for a national tax clearance certificate (unobtainable for Panamanian employees) in order to obtain 1989 license plates.
2/13/89	The Panama Revenue Office orders the seizure of monies held in checking and all other accounts of Commission official.
2/24/89	The Panama Revenue Office orders the seizure of monies held in checking and all other accounts of Commission senior manager.
2/24/89	The Panama Revenue Office orders the seizure of monies held in checking and all other accounts of Commission manager.
2/24/89	The Panama Revenue Office orders the seizure of monies held in checking and all other accounts of Commission manager.
2/27/89	PDF stopped and searched Official Vehicle PCC-7222 at Madden "Y" on Transisthmian Highway.
3/9/89	PDF detains a number of U.S. Navy contract school buses for failure to have 1989 Panama license plates. Some dependent children of PCC employees were in several of the buses at the time of the incident.
3/10/89	Personal vehicles of Commission manager are seized by agents of Panama Revenue Office.
3/10/89	Since 10/1/88, total of 16 bomb threats directed at PCC facilities disrupted various aspects of Canal operations for periods ranging from 1 to 3 hours.
3/14/89	Personal vehicle of Commission manager is seized by agents of Panama Revenue Office.
3/15/89	Personal vehicle of Commission manager is seized by agents of Panama Revenue Office.
3/11/89	PCC pilot detained upon arrival at Torrijos Airport, held incomunicado and interrogated for 22 hours by PDF officers. No crime alleged nor charges filed. Neither PCC nor Embassy notified of detention.

3/31/89	Personal vehicle of Commission senior manager is seized by agents of Panama Revenue Office.
3/31/89	Personal vehicle of Commission employee is seized by agents of Panama Revenue Office.
3/31/89	Commission employee in clearly identified Panama Canal official vehicle had driven to community of Chorrera and parked in the private parking lot of a bus firm that is providing shuttle bus service to Canal employees under contract with the Commission. A PDF officer informed the driver that the Commission vehicle could not be in that lot or in Chorrera and ordered him to remove the vehicle from that community immediately, in contravention of the freedom of movement rights granted the Commission under the Treaty.
4/10/89	Personal vehicle of welder at Miraflores Locks is seized by agents of Panama Revenue Office.
5/1/88 to 3/31/89	Commission units reported more than 109 incidents of theft of supplies and equipment with an estimated value in excess of $150,000. Of special concern is the theft of buoys and lights, solar panels and batteries from navigational aids which directly threaten the safe operation of the waterway. Residents of Commission housing areas reported some 203 incidents of theft of personal property, including 20 cases of theft of privately-owned vehicles. It is believed that this increase of crime in Commission operating and housing areas is due, in part, to a deterioration in the level of security provided by the Panama Defense Forces.

STATEMENT BY

ARTHUR S. DAVIS, PRESIDENT

PANAMA AREA METAL TRADES COUNCIL, AFL-CIO

BEFORE THE

HOUSE MERCHANT MARINE AND FISHERIES

SUBCOMMITTEE ON THE

PANAMA CANAL AND THE OUTER CONTINENTAL SHELF

THURSDAY, MAY 18, 1989

Panama Area
Metal Trades Council AFL- CIO

Box 3243
Balboa, Republic of Panama
May 18, 1989

The Subcommittee expressed its concern of reports that the Canal's continued operation is threatened by the campaign of harassment and intimidation which the Noriega/Solis Palma regime has launched against Canal employees.

This action is a result of part of the economic sanctions taken against the Republic of Panama by the United States Government. Specifically, the withholding of taxes from the paychecks of Panamanian employees and the refusal of the U.S. Government to turn these monies over to Panama.

The end result of this action taken by the U.S. Government has caused the reaction taken by the Panamanian Government against its Panamanian PCC employees.

In assessing the scope and methods of this campaign, the non-issuance of Tax Clearance Certificates (Paz y Salvos) to the Commission employees is the area in which they have affected the workforce most adversely. In accordance with Panamanian laws, a Tax Clearance Certificate is required to perform the following transactions:

1. Payment of import/export taxes

2. Draw up contracts with public entities

3. Register public deeds in the Public Registry

4. Receive government payments other than salaries

5. Obtain licenses to carry out business transactions

6. Inspect Privately-owned vehicles (POV's) for circulation and to obtain respective license plates.

7. Purchase tickets to travel abroad.

The National Tax Clearance Certificate is issued to those who do not owe income tax money to the government.

LOCAL #811 LOCAL #595 LOCALS #397 LOCAL #163 LOCAL #652

Some of the actions taken by the Panamanian Government against the Panamanian employees as a result of non-payment by the U.S. Government agencies in Panama are as follows:

1. They were not able to purchase license plates (Approximately 2,000 employees affected)

2. Some were summoned to court for non-payment of taxes (26 employees affected)

3. Cars have been confiscated (10 employees affected)

4. Bank accounts frozen (one employee affected)

5. They cannot travel outside the Republic of Panama

6. Purchase of homes cannot be made

7. Small businesses are in danger of being lost or cannot operate

8. Fines of up to $500 dollars and confiscation of POV if caught operating one without a Tax Clearance Certificate

9. Fines of up to 50% of monies owed for late submission of tax declarations and for non-payment of taxes.

The immediate effects this action have on the workforce can be noted in the low morale problem that the Canal Administration is now facing. The general feeling is that PCC and the U.S. Government are only concerned with the U.S. citizens. Some examples of the complaints we hear in the field are:

1. Complete disregard by PCC and U.S. Government for the welfare of the Panamanian employees and their families

2. Complete disregard for the safety of Panamanian employees to and from work

3. Emotional unbalance caused by the extremey tense and depressing situation

4. Complaints on the continuous disparity, along with those already existing, displayed by the U.S. Government and PCC during this period, e.g.

a. Shoppette priviledges to U.S. citizens versus food boxes for Panamanian citizens, which was discontinued for the Panamanian citizens.

b. Contingency evacuation plan for U.S., third country nationals and their families with per diem of $69 per day per family member, versus no contingency plan for Panamanians

c. Apartments with various cots or sleeping in gyms for Panamanians versus U.S. going to their residence

d. Facilities in Canal Area for U.S. citizens to obtain their Paz y Salvos versus busing Panamanians to and from work

NOTE: It is not our intension to eliminate the benefits given to the U.S. citizens. We are only requesting that all benefits be distributed in a fair and equitable manner.

In addition, during times of political unrest, the Panamanian workers are not able to attend work because of the lack of personal transportation and concerns for the safety of their families, which have repercussions on their attendance and pay.

The long-term effects on the Canal Commission's ability to insure uninterrupted service to all vessels seeking access to the Canal can be seen in this manner:

Since the beginning of the crisis, shipping has dropped and revenues have declined. This, along with the revolving funds adopted by PCC and budgetary restraints, have affected the temporary employment throughout the Commission.

If, with the current crisis, low morale and discontent continue, we are going to see an exodus of full-time permanent employees. Based on the man-years of on-the-job training compiled by these employees, it will be hard to replace them immediately.

Added to the above problem is the fact that many skilled and semi-skilled personnel are now leaving the country due to high unemployment. Prior to the crisis, many of these people found temporary employment with the Commission. By employing these people, the Commission provided on-the-job training and was well on the way to having people available with the experience and skills on the employment register ready to work.

By adding insult to injury, Mr. W. Gianelli, as Chairman of the Board of Directors of the Panama Canal Commission, advised the shipping world to find alternate solutions to using the Canal. This adverse publicity would seem to undermine the dedicated and efficient manner in which the Panamanian workforce has kept the Canal open amidst the problems they are facing in their country. This statement would possibly lead to a decline in transits and hurt an economy that is already damaged.

A specific area of concern in the Commission is its plan to contract out the overhaul of tug boats. The plan calls for this work to be accomplished in the U.S. This project and others of this nature will assist in inflicting further damage to the economy.

We feel that every effort should be taken by the U.S. Government to insure that the employees of the Commission be guaranteed safe and secure employment with the Canal.

Certain conditions should be explored to lift the low morale of these employees which should include but not be limited to the following:

1. Assignment of available quarters in excess of the needs of U.S. employees to Panamanian employees

2. Extension of eligibility for U.S. residency to all non-U.S. citizen employees with at least 15 years of service

3. Passing a bill that would allow employees in the Non-Manual Pay Category at grade 10 and above to be paid true time-and-a-half for mandatory overtime

4. Insure that any future minimum pay increase apply also to the Panama Canal Commission

5. Insure that employees with alien cards who are not allowed to travel due to non-issuance of Paz y Salvos be given extensions

6. Legislate a retirement system that would encompass PCC employees who will have less than 20 years service by the year 2000

7. Legislate a bill to ensure that the working conditions of the employees, who are aboard after the year 2000, will not deteriorate.

Arthur E. Davis
President

STATEMENT OF WILLIS SMALL, JR.

My name is Willis Small, Jr. I am a member of Local 811, of the Machinist Union, AFL-CIO. I live in Panama, R. P. and am employed as a Machinist MG-10. My job at the Canal involves work as a Machinist at Miraflores Locks.

Today I would like to tell the Members of the Committee about some of the personal hardships that are the result of the present policies of the actions of the United States authorities in refusing to forward taxes withheld from my salary by the Commission to the Panamanian Government.

I have suffered many personal problems from the Panamanian Government, for example: my personal bank account is frozen, my personal car was confiscated by the ministry of finance, I cannot get a license plate for my car because I cannot get a "Paz y Salvo" card. I cannot leave the country at will because I do not possess such a card. I cannot forclose a banking transaction in regards to the same properties. Also, because I am an officer of the Machinist's Union, all my mail that I receive is already opened. My wife receives threatening phone calls informing her that unless we adopt a more Militant Stand against the United States Government so they will release the money, my wife, my son and myself could get into serious trouble.

STATEMENT OF RUBEN PADMORE

My name is Ruben Padmore. I am a member of Local 463, of the Boilermakers Union, AFL-CIO. I live in Panama City and am employed as a Shipfitter. My job at the Canal involves work such as repairing the shell plates of Tug and Barge floating equipment.

Today I would like to tell the Members of the Committee about some of the personal hardships that are the result of the present policies of the actions of the United States authorities in refusing to forward taxes withheld from my salary by the Commission to the Panamanian Government.

My family and I do not have a car because we do not have a "Paz y Salvo" card. Thus, my family cannot leave home during the night. If there is an emergency, we do not have access to a bus or cab because of the lack of transportation around Cerro Viento. Therefore, without a car, it is impossible for us to leave.

We Panamanians are very concerned about the payment of taxes. For example, the payment of Panamanian School Tax. Our children are not allowed to attend school for the 1989 school year, because our taxes have not been paid.

The Panama Canal Commission pays $7.00 for a cab and our cab rates are currently higher and increasing daily.

STATEMENT OF KARL C. MAROHL., JR.

My name is Karl C. Marohl, Jr. I am a member of Local 595, of the International Union of Operating Engineers, AFL-CIO. I live in Gamboa and am employed as a Master, Floating Cranes. My job at the Canal involves work as the Captain on the U. S. Hercules.

Today I would like to tell the Members of the Committee about some of the personal hardships that are the result of the present policies and the actions of the United States authorities in refusing to forward taxes withheld from the salaries of my Panamanian Brothers and Sisters to the Panamanian Government.

I would like to make clear to this committee a number of adverse effects the present policy towards Panama has upon the Employees of the Panamanian Canal. My Brothers have quite efficently explained how our Panamanian members have been hurt. Another example of the anguish happened to one of my members. He is Panamanian, married to a third country national. When he went to finalize his wife's permanent documents, because he did not have a "Paz y Salvo" card, he could not obtain her papers. The result is, she has to leave the country until he is able to obtain his "Paz y Salvo" card.

While the Panamanian Employees bear the immediate brunt of the reprocussions, there are serious adverse effect to the United States Employees. We are told repeatedly that the incidents of brutality and harassment are isolated incidents. I personally have been involved in two incidents where my life has been threatened. Once I had to crash through a burning baracade after being caught in a student demonstration. I was innocently on my way to a local machine shop. I never made it.

Attached is a copy of the incident report where I was arrested by the Secret Police. I was beaten, mentally tortured and detained incommunicado for 14 hours. I lived for 2 months with the threat of 20 years imprisonment over my head. I was charged with "crimes against the state." I was, after 2 months of fear, absolved of the crime.

All Americans in Panama live in constant apprehension for their families as well as their own safety.

In Panama we stick out like a sore thumb. We have been told by the PDF, we are at war with them. The shopkeepers and the middle class, who are hurt by the sanctions resent us. Our co-workers feel that we are receiving special treatment and some hold us responsible for the problems caused by these sanctions. All of this causes an undue amount of stress to live and work under. We are under contract to train Panamanians to take over the Canal in the year 2000. This is not the best way to accomplish this goal.

To make matters worse, now the military and DoD dependents have been evacuated from the city. United States Panama Canal Commission employees are forced to go into the city to shop for major food and basic needs. Again I would like to point out, we stick out like a "Sore Thumb." The military is supposed to be there to defend the Canal and its employees. We would like to know: **WHEN?**

Additional troops have been sent to Panama. They are all inside of the Forts with the other soldiers who are there to protect us. It seems strange to me that they are all hidden behind the walls while we, who they are there to protect are kept outside. **WHAT IS REALLY GOING ON?**

The following narration was provided by Mr. Karl C. Marohl (KM) and Mr. Allen C. Sheppard (AS), both U.S. citizen employees of the PCC who work for the Dredging Division in Gamboa.

In response to television requests for food for needy children in San Miguelito, several employees on the Crane Hercules contacted Father Rutledge at St. Mary's in Balboa and indicated their willingness to help. It was agreed they would collect money donations and send KM and AS to buy rice, beans, and other products in large bulk for Father Rutledge to forward through established charity channels to the needy in San Miguelito. They collected about $450 and considered first going to the produce market by PCC's Motor Pool but, since the items sought are not available in bulk there, they decided to go to Chorrera where AS had lived (with his Panamanian wife) for 17 years. He knows where wholesalers are located there and, in fact, he and his wife still maintain social contacts and do their basic shopping there. In addition, they felt it would be wiser to go to an out-of-the-way place like Chorrera instead of the central public market in Panama.

They arrived in Chorrera about 8:30 a.m. on Wednesday, 3/23, and went to several wholesalers, some of which were closed. At "Casa Internacional," owned by a Chinese woman, they were told the items sought were not available, but were referred to "La Prosperidad," which they found out was closed. After going around for about 45 minutes and not finding what they wanted, they decided to return to Panama and buy whatever bulk vegetables they could at the produce market (potatoes, yucca, etc.).

As they approached the main street from a side road they were waved down by a traffic cop in uniform (gray shirt, blue pants) who got into their blue Toyota pickup and asked (in a routine, polite manner) that they pull up

right around the corner on the main street at a bus stop (in front of "Flor de Cuba" bakery) which they did. Upon stopping, however, they noticed a sharp change in the cop's demeanor. He stood back from the pickup and demanded the keys. Almost instantly about 6 plainclothesmen appeared out of nowhere and one of them (very aggressive) pulled open the door and got into the back seat of the cab, ordering them to drive on. (NOTE: The men turned out to be G-2 working out of the Chorrera garrison.) Both KM and AS are fluent in Spanish. AS asked if he could see identification whereupon the man in the back stuck a .38 revolver in his face and said "Here's my ID!" One of the men outside beat on the door and argued with the one inside that the gringo should not be allowed to drive — the one inside said "Let him, because if he makes a wrong turn then I can shoot him."

The men outside insisted, yanked open the door and pulled KM and AS out of the car and then things started going completely out of control. The men were shoved, punched and their hands handcuffed behind their backs (very sickly [illegible] left wrist was cut), and ordered back into the pickup but without help. When they piled up against each other and couldn't get in the door, one man in particular (referred to as a "sicko") started punching and kicking the closest one (who happened to be KM) as hard as he could — KM was kicked repeatedly in the back and kidneys. Throughout this 10-15 minute ordeal, the "sicko" was shouting a stream of obscenities ("gringo SOB, we're at war with you now, you think you can infiltrate our country, try to ruin our economy, we'll make you eat shit" — and much worse things). At moments, the "sicko" would get almost incoherent.

(NOTE: As this was occurring, onlookers started to gather. A local resident apparently recognized AS and later was able to alert his Panamanian

wife who, by sheer coincidence, was in Chorrera that morning on her own. On learning of her husband's predicament, she went to the PDF garrison but was told they didn't know anything about AS. Later she was able to get help from an attorney, a Mr. Ledezma, who probably was instrumental in getting the Chorrera PDF to produce both AS and KM and have them sent to Panama City for eventual release on Transfer of Custody to PCC Coordinators. Mr. Ledezma used to rent a house in Chorrera that belongs to AS's wife, and his father works as a welder for the PCC.)

Once KM and AS were forced into the back of the pickup cab, the "sicko" got in next to them and repeatedly punched and elbowed KM as hard as he could. One of the men in front kept reaching back and punching AS in the back of the head. The captors drove off through side streets and eventually stopped, apparently at "Casa Internacional" because KM and AS heard their captors ask a woman (who sounded like the Chinese proprietess they had talked to earlier looking for the food) "Are these the ones who were here?" to which she responded affirmatively. They drove off again and the S-2 jammed both their heads down between their knees so they couldn't be seen from outside. At this point the "sicko" in back was again virtually incoherent in his raging and at one point grabbed a handful of KM's hair and cut a chunk off with a knife.

They were then driven into the PDF compound motor pool area, ordered out of the pickup, then yanked out by their legs for not moving fast enough, kicked repeatedly and made to lie face down on the asphalt/gravel pavement. They were kept this way and were surrounded by several people (only saw legs because anytime they tried to look up they had their faces shoved back down

on the blacktop). Most of these bystanders, some of whom stepped on AS and KM's legs and backs, were in civilian attire. KM does remember seeing one pair of military boots. At one point, someone stood on KM's ankles. If either KM or AS attempted to say anything or to look up they were kicked.

Eventually (they estimate about 11:00 a.m.) their pockets were searched, wallets removed and the captors found their cash (AS had $40, KM had $450 donated for food plus about $500 from his own paycheck that he had just cashed), and this set off a new round of frenzied invective ("Where did you get these Yankee dollars, why no Balboas -- we're going to make you eat shit, we're goint to cut you into pieces and mail them to President Reagan or send you to Cuba, to the Bay of Pigs like the pigs you are, we're at war with the gringo SOB's, and this is how we treat you for trying to infiltrate us", etc.). AS was able to look up for a moment and recognized one of the bystanders as a PDF mechanic named Barahona. AS told the S-2 he was no infiltrator, that he had been a long-time resident of Chorrera and that Barahona knew all this, whereupon the "sicko" yelled at Barahona to say if he, Barahona, had given this gringo permission to be in Chorrera. Understandably, Barahona backed away from the [illegible] -- their truck was rifled as was KM's work bag, letters and papers were strawn all over.

Suddenly and abruptly, all the abuse stopped and most of the men standing around left. KM saw a pair of grey slacks and grey suede loafers (again, he couldn't look up) and heard the person referred to as "sergeant." KM's handcuffs were loosened because his left hand was turning blue. KM and AS were taken inside the garrison building by this "sergeant" and a couple of

the S-2 and turned over to a Lt. Smith (2 bars on shoulder). Among the S-2 present was the "sicko" who started yelling at KM and accusing him of having been in Chorrera 3 months earlier involved in some church-building project and asked KM if he wasn't "the carpenter nicknamed 'Cristo'". During sporadic dialogue with Lt. Smith KM and AS learned he was from Bocas del Toro and spoke some English. Contrary to their S-2 captors, Lt. Smith treated them very civilly, appeared concerned about their plight, had their cuffs removed and allowed them to sit outside his office while one of the S-2 was apparently out checking to see if they were part of "the 5 guys in a blue pickup being sought by the authorities." KM asked one of them what was going on and was told that even if innocent, he was unfortunately caught up in a problem between two governments. Soon thereafter one of the S-2 reported in to Lt. Smith's office and on the way out told KM that "the Chinese woman confirmed you were trying to get these businesses to shut down." Meanwhile, the "sicko" was pacing around in front of KM and AS, glaring and snorting and displaying a knife he had pulled from a small scabbard.

KM and AS were then put in a detention room where they remained until about 5:45 p.m. They were not given food, water, access to a phone or allowed to use a bathroom by any of the captors. (NOTE: Several individuals, apparently prisoner trustees, stopped by to express sympathy and smuggled in water, some tidbits of food and a tin can they could use to relieve themselves. KM and AS were able to smuggle out phone numbers on a scrap of paper to alert their families of their predicament, and apparently the numbers got through because phone calls were made.) Just before 6:00 p.m. a clerk appeared, took them back to Lt. Smith where they signed receipts for

their personal items, which were returned to them. (NOTE: AS's $40 were returned and, even more amazingly, KM got back about $730 — he lost about $200 to the S-2. When KM stated some of the money was missing, Lt. Smith indicated this would be a big problem to overcome because he would have to go back to the troops to straighten it out. KM told him to forget about it that all he and AS wanted was to get out of Chorrera. KM does not want to make an issue of the lost $200.)

The attorney, Mr. Ledezma, was on hand with Lt. Smith and asked KM to let him know if he was not released after being returned to Panama. Upon realizing they were going to be taken to Panama, KM asked Lt. Smith not to send the "sicko" along and reported the beating and abuse to which both he and AS had been subjected. When hearing the man described by KM, Lt. Smith was visibly upset and uttered "that SOB Salamina" (or some similar sounding name). Lt. Smith asked the sergeant if he had witnessed any of the physical abuse and the latter said not really but that something had apparently gone on before KM and AS were brought into the compound.

KM and AS were handcuffed again (but loosely this time), put in the back seat of the pickup and taken along the old highway back to Panama. About 7:00 p.m they arrived at the G-2 office next to PDF HQ in El Chorrillo. Here they were also treated civilly, were asked questions, again overheard comments about the PDF "being at war with the U.S." and were told that "Linino" (presumably at Amador) had been notified (this later proved to be incorrect).

About 8:30 p.m. two military policemen from Amador appeared — AS was allowed to drive his pickup to Amador with one of them, KM was taken by the other

one in a PDF police car. At Amador the PDF enlisted men were solicitous and accommodating; KM and AS were given water and allowed to use the phone. PDC Coordinator Tuñon showed up shortly thereafter and KM spoke with his wife at about 9:00 p.m. Cpt. Cortizo came in and spoke briefly with them but was not at all interested in listening to anything KM or AS had to say.

Both were taken to night court at about 10:30 p.m. where they were charged with "Attempting against the security of the State." The judge declined to rule because of the seriousness of the charge and because both would need time to prepare case and get affidavits in an effort to prove their innocence. The judge was very courteous and considerate throughout. Mr. Tuñon signed for the men on a Transfer of Custody and returned with them to Amador. They all departed Amador about 11:30 p.m.

NOTES:

* Neither KM nor AS were photographed (that they know of) at any time.
* S-2/G-2 personnel obviously have clout and can throw their weight around; uniformed troops "snap to" when they are on the scene. At Chorrera, the armed guards were very relaxed and allowed the trustees to talk to the prisoners and smuggle items to them. As soon as the S-2 showed up, however, they would point their weapons, order everyone to shut up and threaten the trustees away.
* KM recalls that a couple of the plainclothesmen who were at the initial arrest scene in front of "La Flor de Cuba" looked and acted "different" -- they had slightly different accents, were not as sun tanned and their demeanor was a little different (they stood back more and were not seen again after the initial arrest).
* AS's wife ended going back to the PDF garrison several times before being able to ascertain that AS was being held. At one point she was told that if she kept insisting she could get into a lot of trouble.

STATEMENT OF MICHAEL KOZAK
BEFORE THE PANAMA CANAL SUBCOMMITTEE OF THE
HOUSE FOREIGN AFFAIRS COMMITTEE
MAY 18, 1989

Mr. Chairman, members of the Subcommittee, I would like to provide you with an update on the situation in Panama.

On May 7 presidential and legislative elections were held in Panama. The Noriega regime hoped to use the electoral process to find a measure of political legitimacy. To this end, the regime deployed an extraordinary array of measures aimed at ensuring victory for regime candidates through fraud and intimidation. This effort to subvert the electoral process was witnessed by experienced, international observers, including a delegation led by Representative Murtha, and by the international press.

The regime was overwhelmingly rejected, however, by the Panamanian people. They turned out in enormous numbers (reliably estimated at over 85 percent of the electorate) and voted by roughly three to one for the opposition candidates. When the regime began to grasp the enormity of their defeat on the night of May 7, ballots and vote tally sheets were spirited away from the polling stations, and the regime's official Electoral Tribunal tabulation center remained idle. These events were also witnessed by election observers, including

former President Jimmy Carter, and the international press.

By May 8 independent parallel vote counts, including one by the Catholic Church, showed the opposition winning by a margin approacning three to one. Twenty-four hours after the polls had closed, however, the Electoral Tribunal had not released any results and the missing vote tally sheets were still unaccounted for, but the regime-controlled press was beginning to trumpet a regime victory.

On May 10 the opposition attempted to hold a peaceful support rally for its candidates. The whole world saw the result on television. The regime's goons, armed with pipes and clubs, assaulted opposition candidates, officials and supporters while the police watched. Many people were injured, many were detained, and their whereabouts and condition are still unknown. Their only crime is that they used the electoral process to call for democracy in Panama and an end to the Noriega regime.

The Noriega regime tried to steal the May 7 election through massive fraud and intimidation. When the Panamanian people voted in such large numbers against the regime that a blatant theft was not sufficient to do the job, Noriega resorted, in

effect, to grand larceny by massive substitution of whole boxes of vote tally sheets, but that failed too. The regime then nullified the results of the election and resorted to violent repression. The Catholic Bishops of Panama, hemispheric leaders and governments, and democratic leaders and governments throughout the world have condemned the manipulation of the electoral process and its violent aftermath and called upon General Noriega to respect the will of the Panamanian people.

On May 11, President Bush stated U.S. objectives with respect to Panama:

-- support for the Panamanian people in their struggle for democracy in Panama;
-- protection of U.S. citizens in Panama;
-- commitment to the integrity of the Panama Canal Treaties.

The President also spelled out specific steps to be taken by the U.S. in support of these objectives. In response to the President's directives we have taken the following steps:

-- The U.S. is actively participating in the regional diplomatic effort now focused on the Organization of American States. We believe it is essential for the OAS to speak out

collectively in support of democracy in Panama and are prepared to assist in any way we can.

-- Our Ambassador to Panama, Arthur Davis, has been recalled for consultations; he returned to the U.S. May 15; the drawdown of Mission staff has begun.

-- U.S. Mission dependents began departing Panama on May 15. SOUTHCOM advises that it expects to have all off-post personnel and dependents in on-base housing or out of Panama by July 1.

-- A new State Department travel advisory, which includes a recommendation to U.S. business representatives to arrange for the extended absences of their dependents, was issued May 10 and is being circulated and publicized.

-- We are continuing to meet our principal Treaty responsibility for the secure, efficient and uninterrupted operation of the Canal. The recent troop augmentation, now complete, will assure the means to assert U.S. Treaty rights and meet U.S. Treaty commitments.

I welcome this opportunity to recognize the extraordinary efforts undertaken by the Panama Canal Commission and the

dedication of the PCC employees in the face of daily hardship and risk. The Department of State shares the concern of PCC management for welfare and physical safety of its U.S. and Panamanian employees. We are also concerned about the effect of this crisis on the competitive position of the Canal and the safety and efficiency of the waterway.

As the President has said, the crisis in Panama is a conflict between General Noriega and the people of Panama. The United States supports the Panamanian people in their struggle for democracy and freedom from a corrupt and repressive regime. General Noriega's departure from power is the essential first step in a resolution of the problems he has inflicted on the Panamanian people, including those Panamanian citizens who work for the Panama Canal Commission.

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OFFICE OF INFORMATION
AND SECURITY REVIEW (OASD-PA)
DEPARTMENT OF DEFENSE

Statement by Richard C. Brown
Deputy Assistant Secretary of Defense for Inter-American Affairs
before the House Panama Canal Sub-Committee
18 May 1989

Mr. Chairman, I am pleased to appear before you and your distinguished colleagues on this Sub-Committee to discuss the current situation in Panama and Department of Defense commitment to both the continued safe, efficient operation and defense of the Panama Canal.

There can be little doubt of our national commitment to Canal defense and its continued operation. Both are vital national security interests. Accordingly, we have assigned more than 10,000 military personnel to USSOUTHCOM at five major installations in Panama and have apportioned additional troops from active and reserve units to support the defense mission. Last week, the President deployed an additional brigade-size combat force to augment USSOUTHCOM. As required by the Panama Canal Treaty, these forces are broadly charged to protect and defend the Canal and "to meet the danger resulting from an armed attack or other actions which threaten the security of the Panama Canal or of ships transiting it."

The President has determined that the current political crisis in Panama, now exacerbated by General Noriega's electoral fraud and unwillingness to accept the legitimate opposition victory, threatens the welfare and security of Americans in

Panama and the operation of the Canal. Since February 1988, General Noriega has organized an orchestrated campaign of harassment against PCC American and Panamanian employees as well as as our military personnel and families, that parallels the regime's general disregard for human rights and civil liberties. To date, we have recorded over 700 incidents of harassment against DoD personnel and dependents involving over 1200 Treaty violations. Despite the hardships of regime harassments and growing hostile environment in Panama, our military and civilian components, as well as the Panama Canal work force, have performed their duty with distinction. In particular, the uninterrupted operation of the Canal has been accomplished through the combined efforts of the superb PCC Administration and the dedicated American and Panamanian work force.

Other measures announced by the President to protect our interests and the lives and property of all Americans in Panama include the withdrawal of USG personnel and dependents residing off-base and outside of the Panama Canal Commission housing areas. Efforts are now in progress to get all of our personnel and dependents out of harm's way and out of the reach of General Noriega's goon squads. We expect this to be completed soon. The President also reaffirmed our commitment to the Panama Canal Treaties and our resolve to assert our Treaty rights -- most notably the right to unimpeded movement of our Armed Forces within Panama. Accordingly, until full Treaty implementation in

December 1999, we will vigorously assert our Treaty rights in full compliance with the Treaties.

Of special interest to this Committee is the protection of PCC housing areas. As we all know, the President has made the commitment to protect American lives in Panama. The United States has the explicit right under the Panama Canal Treaties to protect and defend the Canal, which includes the right to protect and defend U.S. military and civilian personnel who are in Panama to operate or protect the Canal. The United States also has an inherent, fundamental right under international law to self-defense, which includes the right to protect its citizens whenever the host country government is unable or unwilling to do so. At present provisions are being made to move all American Panama Canal Commission employees and their families now residing in Panama City and environs back into PCC housing areas. These housing areas are located near U.S. military installations and more easily protected by U.S. Forces should the need arise.

Be assured that the Secretary of Defense views the situation in Panama and the resultant risks to our personnel, families and interests with great concern. Until the crisis is resolved and the democratic transition restored, we will be actively engaged in doing all we can to protect our personnel and citizens and to ensure the uninterrupted, safe operation of the Panama Canal.

Mr. Chairman, this concludes my formal remarks. I will be pleased to answer any questions that you or the Sub-Committee may have.

AFSCME®
American Federation of State, County and Municipal Employees, AFL-CIO
1625 L Street, N.W., Washington, D.C. 20036
Telephone (202) 429-1000
Telex 89-2376
Facsimile (202) 429-1293

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in the public service

STATEMENT FOR THE RECORD

submitted by

SIDNEY RICHARDS, SECRETARY GENERAL
LOCAL 907, AMERICAN FEDERATION OF STATE COUNTY
AND MUNICIPAL EMPLOYEES

to the

SUBCOMMITTEE ON THE PANAMA CANAL AND
THE OUTER CONTINENTAL SHELF
U. S. HOUSE OF REPRESENTATIVES

on

RECENT DEVELOPMENTS AFFECTING THE PANAMA CANAL

MAY 31, 1989

Mr. Chairman and distinguished members of the subcommittee, I am Sidney Richards, Secretary General of Local 907 of the American Federation of State, County and Municipal Employees (AFSCME). Local 907, Armed Forces Employees Union, AFSCME, AFL-CIO, FNTD, CTRP, consider it most appropriate to bring to your attention the great hardship caused by the withholding of Canal employees' income tax and education tax as a result of the application of the economics sanctions imposed by the United States of America on the Republic of Panama during the current political situation and its adverse effects.

The economic sanctions do not have any significant effect on the Government of the Republic of Panama. Their direct impact adversely affects the people, specifically the poorer classes and the education of students including those of the employees of the Canal area, the employees of the United States Armed Forces, the Panama Canal Commission and their families.

The Unions of the Panama Canal area are the exclusive representatives of approximately 85 percent of the total workforce (12,444) (approximately 7,144 Panama Canal Commission and 5,300 Department of Defense employees) in the Canal area and as such, we are responsible for representing the interest of all employees in the respective appropriate units.

Specifically, we refer to the monies withheld from the workers' salaries to meet their obligations of income tax and

education tax. Because such sums are now being withheld by United States Armed Forces and the Panama Canal Commission and not remitted to the Republic of Panama, this action is a violation by the United States of America of the Panama Canal Treaty: Article VII, Paragraph 5 of the Agreement in implementation of Article IV of the Panama Canal Treaty and Paragraph 2 of the Agreement Relating to the Panama Canal Treaty, subparagraphs "cc" and "dd."

The employees are not able to obtain "Paz y Salvo" in order to travel abroad or to execute any legal transaction with the Republic of Panama: loans, mortgages, improvement to homes, purchases of vehicular license plates, etc.

Many of our members whose relatives are residing overseas, including the United States cannot visit them even should there be emergencies. We are being confronted with these problems by our members and it is in this regard that we approach you on this matter.

As you will note, the economic sanctions imposed on the Republic of Panama are not only affecting the working conditions of the Panamanian employees who we represent, but they are continuously affecting the social, economic, cultural and general well-being of the workers and their families. The sanctions have unjustly made us "innocent victims" of the political conflict

between the United States of America and the Republic of Panama.

The Canal Area workers are responsible parents who have accepted the challenge with the Republic of Panama to keep the waterway open with the same high degree of efficiency as the government of the United States of America and they continue to do so. The workers' children will share this responsibility and this negative action will keep a specific group of children in the dark and not able to comply with our commitment with the world.

During the periods of increased intensity in the present crisis, the workers of the Canal Area have been complying in the performance of their duties to insure the efficient operation, maintenance and defense of the Panama Canal.

Our labor organizations have been under constant and many pressures, and also we have established once and again our responsibility in representing the workers.

We urge you Mr. Chairman to give this matter your full attention to the end; that these loyal and dedicated employees of the Panama Canal Commission and the Department of Defense may not continue to suffer. We strongly feel that the factors of health, education and general peace of mind should not transcend to political concerns.

Consequently, we respectfully request that the Panama Canal Treaty be complied by the payment of non-U.S. employees' income tax and education tax to the appropriate Panamanian Government Agencies, thus, protecting the best interest of the Panamanian workers of the Canal Area, the Republic of Panama and the United States of America.

Thank you.

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